McNARY: defender of local interests or elitist?
CORPORATE PAYOLA II: 18 more examined

VOLUME 13, NUMBER 82/$1.25

FOCUS MIDWEST

THE HOUSING GAME

Join Mobil Oil for a lesson in doublespeak.

out of focus

Readers are invited to submit items for publication, indicating whether the sender can be identified. Items must be fully documented and not require any comment.

Farmers throughout the midwest are in a panic over foreign investment in U.S. farmland. According to the United States Department of Agriculture, foreign ownership accounts for only slightly more than one percent.

The Winnetka, Illinois school board removed *Huckleberry Finn* for its use of the word "nigger," while the community of Eldon, Missouri found it necessary to ban the American Heritage Dictionary for the sake of the moral character of its youth. Springfield, Missouri and Northridge, Illinois censored Maurice Sendak's *In the Night Kitchen*. The latter also banned the *Book of Dogs*. And the Niles, Illinois school district removed *Father Christmas* from the library.

The Federal Highway Commission cannot remove 9000 billboards which had been scheduled for demolition because it is strapped for funds. (Recent interpretation of an amendment to the Highway Beautification Act requires the federal government to pay for all roadside billboards removed.) Thus the billboard removal law became the billboard protection law.

Phone numbers with cute or catchy meanings are popular at politicians' election headquarters, but it is doubtful that John Connally asked for 651-0000 for his Houston office. Change the first two numbers to their corresponding letters and Connally's campaign number becomes OK 10,000 — which is what a grand jury accused him of saying to Jake Jacobsen in the alleged milk bribery of 1971.

Excerpted from the Texas Observer

Jerusalem Mayor Teddy Kollek emphatically denied stories that structures on several locations of the Via Dolorosa (Way of the Cross) were being torn down when meeting with a group of U.S journalists. Several years ago, The Church of the Holy Sepulchre, on one of the sites was in danger of being flooded. The city checked and learned that the sewerage system had not been replaced since the fifth century.

Excerpted from the St. Louis Review

Twenty-one million gallons of radioactive waste and sludge stored by the U.S. Department of Energy will take eight years to transfer to new steel corrosion-resistant tubs. But the transfer can only take place after a new $3 billion nuclear waste solidification plant is built in South Carolina. Yes, all just for waste.

Urging Americans to make the welfare of children their highest priority, Alan Pifer, president of the Carnegie Foundation, reports that "three million arrests were made for juvenily crimes last year; millions of children and adolescents suffer from drug and alcohol abuse; one million teenage girls become pregnant each year; a million youngsters run away from home; suicide has become the highest killer of teenagers, after accidents . . . the abuse and neglect of children have reached shocking proportions . . . hundreds of thousands of children lead miserable lives in institutions . . . millions are physically, mentally, or emotionally disabled, half a million are in foster care, well over a million under the age of 15 are not in school, the national school dropout rate is 15 percent, and upwards of 500,000 children age 16 and under, most of them from migrant families, are working in the fields because of loopholes in the child labor laws, while the real unemployment rate for urban black youths is believed to be over 50 percent."

When General Motors switched engines in its Oldsmobile Delta 88 automobiles, the Environmental Protection Agency was notified. A high-ranking EPA official later excused himself for not informing the public. He had not read the memo. But even if he had, he said, he would not have cared. "Every car company deceives the public every day," he said.

Better Gov't Association Annual Report

The government attempts to limit wage and price increases to seven percent by public appeals for voluntary cooperation. Meanwhile the St. Louis Regional Commerce and Growth Association's Blue Cross health insurance program, administered by Marsh and McLenna, has increased its rates between 8.73 and 37.9 percent.

FOCUS
MIDWEST

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IN THIS ISSUE

Fighting over housing priorities

Ingrained in the American psyche is a vague doctrine of fairness. In theory, it is embraced by most citizens even the most exploitive and, as social goals, incorporated in public policies. Laws are enacted, for example, which provide for adequate housing irrespective of income and the freedom to choose one's area of residence.

But implementing such legislation is running counter to the me-first syndrome and the new conservatism of contemporary America.

Federal officials are confronted by local officials over subsidized housing for low- and medium-income families. In this situation, as in education and other areas, this friction reflects an all-pervasive conflict between social goals and social needs.

While some officials advocate and others object, our communities have real people with real housing needs who anxiously await real programs. But realizing social goals within the political context of our cities can only be accomplished on a limited basis. That's the best we can do to meet social needs, some say. Others are willing to forego partial solutions and hold out for the larger goal.

Specifically, this confrontation has kept the subsidized housing program from reaching its full potential. While such housing units for the elderly find considerable acceptance, similar units for families, particularly large families, are blocked. Even federal enticements, such as the Community Development Block Grant (CDBG) funds which can be spent on various improvements if serious efforts are made to meet local housing needs, are only partially successful. To receive CDBG funds, a community must file a three-year Housing Assistance Plan (HAP) which details goals to meet local housing needs for the elderly and low- and medium-income families. The HAP plan becomes the basis on which the applications are judged and approved by the U.S. Department of Housing and Urban Development (HUD).

The well-to-do, the predominantly white suburban enclaves, are in embarrassing numbers forsaking any trace of social commitment. The figures and facts speak for themselves.

DuPage County in Illinois has a population of about 600,000 and is well off. It has a minority population of only 2% and a vacancy rate for owner and rental housing of only 1.9%. Without vacancies, new construction is the only alternative for subsidized housing. A review of the following chart shows the classic pattern: sufficient construction for the elderly and a fraction of needed construction for families.

DuPage

Subsidized Housing 1976-1979	Three-year HAP Goal	Three-year Accomplishments
Elderly	746	1390 (186%)
Families, 1 and 2 bedrooms	1243	404 (32.5%)
Families, 3 and more bedrooms	261	85 (32.6%)
Total	2250	1879 (83%)

The record for Cook County is much worse. Cook County, like St. Louis County, has to live with innumerable municipalities which are under no pressure to cooperate with HUD or the county.

Cook County

Subsidized Housing 1976-1979	Three-year HAP Goal	Three-year Accomplishments
Elderly	3,961	986 (24.9%)
Families, 1 and 2 bedrooms	5,959	1,771 (29.7%)
Families, 3 and more bedrooms	2,814	259 (9.2%)
Total	12,734	3,016 (23.6%)

The record on subsidized housing in St. Louis County is abysmal. It is the subject of an article on page 8.

The worst type of obstructionism, however, was displayed in Glasgow Village in St. Louis County, where a group of residents bought a 5½-acre tract of land and shut out plans for a low-income housing project. Not surprisingly, Prudential Savings and Loan, which owned the tract, also contributed $1,000 towards the purchase price of $75,000. No doubt, local citizens walk upright on their streets and are imbued with neighborliness.

Federally, subsidized housing begins to meet its goal, it appears, only in central or adjacent urban areas. Ed Bush, public affairs officer for HUD in Chicago, claims that his city has the second best record in the country. Chicago's needs, of course, are immense: 226,088 renters and 56,200 owners are in need of housing assistance.

City of Chicago

Subsidized Housing 1976-1979	Three-year HAP Goal	Three-year Accomplishments
Elderly	5,330	4,039 (75%)
Families, 1 and 2 bedrooms	9,236	7,850 (85%)
Families, 3 and more bedrooms	6,094	3,631 (60%)
Total	20,660	15,520 (75%)

* * *

In the face of such rejection, the alternatives are limited. It is tempting to recommend the force of law when goodwill fails. But wherever HUD has followed that course of action, it has become tied up in court suits which begin to take up as much energy and resources as housing itself.

Meanwhile, the 1980 federal appropriations bill approved on June 28 targets $1.16 billion for new housing programs. The funding will support 50,000 public housing and 263,000 for Section 8 subsidized housing. Also approved was $3.9 billion for the community development block grant program.

Thus, the controversies over where to locate subsidized housing will intensify. The solution may lay beyond the capacities of local or federal officials. We favor the vigorous enforcement of the program by HUD. But while HUD, appropriately, pursues social goals as mandated by the American people, the social needs of the poor and not so poor remain unfulfilled. We wonder from time to time whether that policy meets the needs of those waiting and waiting. We also didn't have a ready answer when one HUD official, deeply committed to the dispersal of housing, asked us: If we build in DuPage County, where will residents find doctors who accept medicare cards, or how will they move about in view of the lack of adequate public transportation, or where will they cash in food stamps?

The solutions may have to wait for a change in public mood, a change which can only be brought by a national leadership committed to reconciling social goals with social needs and willing to say so clearly and loudly.

Bootheel community needs a boost

Among the few effective and grass roots efforts to help low-income and disadvantaged people in the Missouri Bootheel is the Missouri Delta Ecumenical Ministry.

For more than a decade, MDEM has labored to eliminate poverty by organizing local residents. To that end, legal and other welfare services have been established over the years. A regular newsletter, *Another Voice*, carries news of local issues, membership profiles and news ignored by the regular press.

To continue their work and keep fighting, MDEM is raising funds. They are soliciting $1-5 contributions towards a goal of $25,000.

Emma Walker, executive director of MDEM (P.O. Box 524, Hayti, Missouri 63851), is primarily appealing to members of the Bootheel community. She believes in self-help.

But we hope that others will help them, too.

Coming up next issue

KEY VOTES

of Illinois and Missouri members of the 96th Congress

missouri politics

by E. Terrence Jones

Although the 1980 primary and general elections are still more than a year away, incumbents and aspirants are well into their pre-campaign maneuvering. On the Democratic side, James I. Spainhower, state treasurer, has opened his gubernatorial campaign. Of course, he had been running for a long time. His initial salvo vigorously attacked Gov. Joseph P. Teasdale's weaknesses. Yet, some of his opening comments left questions in the minds of some listeners. More about this in future columns.

Meanwhile, back in the incumbency, Governor Teasdale has not abandoned his I'm-just-a-simple-man-in-a-complex-job style. Although Teasdale stories are Jefferson City's version of a Polish joke, one suspects that only a few political aficionados delight in their telling. Much more of the electorate again might respond very positively to the populist approach which upset Christopher Bond in 1976.

Like Spainhower, Bond is not hiding his desire to be Missouri's Governor. But Republican candidates for state-wide offices are automatically underdogs in Missouri, and Bond faces a further handicap in a potentially divisive primary with William Phelps, the present lieutenant governor. Phelps won reelection in 1976 while Bond was being defeated, and — as a result — Phelps is not likely to step aside. Thus, sneaking a peek toward the later stages of the 1980 gubernatorial scenario, both parties will probably have tightly contested races.

Senator Eagleton seems to have scared off all serious opposition to his reelection effort. Key people around the state are already committed to work in his campaign, many of the dollars are already collected, the constituency relations appear better than ever, and — like all good vote-getters — Eagleton is currently campaigning as if Abraham Lincoln had come back from the dead and announced against him. The question is not whether Eagleton will win but by how much.

Because of the gubernatorial election, two state-wide offices — lieutenant governor and state treasurer — offer upwardly mobile politicians the opportunity to climb the ladder without knocking off an incumbent. The next six months will reveal which ones are ready to make a move. Two Democrats (Mel Carnahan, House majority leader in the late 1960s, and Edward Sweeney, present House majority whip) have announced their candidacies, and many more are assessing their chances.

St. Louis County and the U.S. Department of Housing and Urban Development (HUD) have each fired the first shot in a potentially precedent-setting battle over how Community Development Block Grant (CDBG) funds can be spent. St. Louis County does not want to use its next fiscal year's entitlement dollars (about nine million) to construct any new housing for low- and moderate-income persons. Instead, the county would like to spend the next nine million about the same way it has allocated the earlier CDBG money: housing rehabilitation and capital facilities (e.g., storm water sewers).

HUD thinks the county needs more subsidized housing, especially for large families with low incomes. It argues that the rehabilitation approach has little impact on improving rental housing.

HUD is threatening to withhold the CDBG funds unless St. Louis County agrees to help develop new subsidized housing. County Supervisor Gene McNary is claiming that HUD cannot legally enforce such a demand.

It is a classic confrontation between federal and local policy difference. Under CDBG, both levels of government clearly have some say over how the money is spent. But, when federal push comes to local shove, who has the greater strength? ■■

(Editor's note: See article on the HUD-County confrontation on page 8.)

illinois politics

by Sheldon Gardner

Mayor Jane Byrne of Chicago is only Mayor Byrne and not Boss Byrne. It is said that Aldermen Vrydolyak and Burke, leaders of the strongest power bloc in the city council, have never forgiven Byrne for her charges in the taxicab fare scandal that resulted in the federal grand jury investigation. It's hard to be fond of someone who tried to have you thrown in jail. Political chiefs, such as the mayor, can only get hurt if they first attack opponents and then seek to rebuild alliances.

The head of the Cook County Democratic Party is George Dunne, the weak but affable president of the county board. He is an ally of Mayor Byrne. But his control of the party is very limited and not comparable to Daley's. Weakened by infighting, the Democratic party is facing an era of factionalism. At most, rump Democrats, independents and Republicans have to face a dozen or so strong ward leaders who will deliver upwards of two-to-one for anyone their committeeman backs. This will influence the 1980 primary and general elections from the presidency down to ward committeemen.

The battle for control is shaping up and will climax with the election of fifty ward committeemen next spring, when Mayor Byrne will also run for reelection. Incumbent committeemen are aldermen or their close allies. They will have to choose whether or not to support Byrne. Byrne can use patronage and the threat of supporting challengers in gaining committemen's support. Her strong allies are primarily blacks, Jews and liberals in the independent wards. Some of these wards are now headed by more or less independent aldermen.

Infighting in the Democratic primary is likely to help state's attorney Bernard Carey, who is the only incumbent Republican county officeholder. While it is difficult for a Republican to be elected in Cook County, Carey is well liked and known as an effective criminal prosecutor. He has avoided antagonizing the Democratic party and, indeed, is linked to them through Don Rose, who played a crucial role in his

and Byrne's campaigns. Carey will not be given a pass, but he will not face a party united to defeat him.

The most significant race in Illinois will also be the only statewide race. William J. Scott, the Republican attorney general, is the leading candidate of his party, although under federal charges of misusing campaign funds, which he has vigorously denied. Scott was elected attorney general in a landslide. He is immensely popular with his own party as well as independents. He is a leading populist, opposing nuclear dumping, utility rip-offs and is totally pro-consumer to the point that he has blamed the large corporations for his legal problems. Scott is so popular that he could be elected attorney general for life.

His principal opponent, Alan Dixon, is equally popular. As secretary of state, Dixon carried counties that rarely, if ever, went for a Democrat. A clever, affable politician, Dixon is a downstate boy with all the smarts that any big city slicker ever had. While capitalizing on the non-controversial service aspects of his office, he has taken stands where necessary to preserve his independence from the Chicago machine on such issues as judicial reform. Dixon could only face a serious problem in the Democratic primary if the party would unite behind a moderately popular candidate such as Tom Tully or Neil Hartigan.

Should Scott falter, Dixon could easily win over any other Republican. But a Scott-Dixon race would not only be close but would be delightful as these two gentlemen would campaign on a high level with wit and humor and provide some exciting contrasts to the typical simplistic campaigns of most politicians. ■■

Group ratings of U.S. legislators

The following voting charts represent pressure group ratings of members of Congress for the year 1978. An analysis by Congressional Quarterly showed that Democratic members who faced tough election fights reduced their support for liberal-backed positions during the election year. This shift had mixed results: just 11 of 17 such House incumbents were reelected and only one of six shifting Senate incumbents won reelection.

The study covers ratings by the Americans for Democratic Action (ADA), a liberal group, the Committee on Political Education (COPE), a labor group, the Chamber of Commerce of the United States (CCUS), a business group, and the Americans for Constitutional Action (ACA), a conservative group.

Among Missouri and Illinois Senators, Stevenson had a perfect ADA rating, Eagleton the most pro-labor, Danforth, the most pro-business and the most conservative.

Among Illinois House members Yates (D-9) received a perfect ADA rating, the late Metcalfe (D-1) a perfect pro-labor rating, P. Crane (R-12) a perfect pro-business as well as a perfect conservative rating.

Missouri House members received no perfect rating by the four groups. Clay (D-1) received the highest ADA score (85) and the highest labor score (95). In the labor category he was followed closely by Bolling (D-5) with a rating of 94. Taylor (R-7) was the most pro-business and the most conservative member. Coleman (93) and Ichord (92) were rated next as most conservative.

ADA (Americans for Democratic Action) — The percentage of time each senator voted in accordance with or entered a live pair for the ADA position on 20 selected votes of 1978. The percentages were compiled by ADA. Failure to vote lowers the scores.

COPE (AFL-CIO Committee on Political Education) — The percentage of time each senator voted or was paired in favor of the COPE position on 19 selected votes of 1978. Failure to vote does not lower the scores.

CCUS (Chamber of Commerce of the United States) — The percentage of time each senator voted with the chamber's position on 18 selected votes in 1978. Failure to vote does not lower the scores, which were compiled by the chamber.

ACA (Americans for Constitutional Action) — The percentage of time each senator voted in accordance with the ACA position on 24 votes in 1978. Failure to vote does not lower the scores, which were compiled by ACA.

SENATORS	ADA	COPE	CCUS	ACA
ILLINOIS				
Stevenson (D)	65	74	19	13
Percy (R)	50	47	59	18
MISSOURI				
Eagleton (D)	50	79	35	9
Danforth (R)	25	32	71	38

ADA (Americans for Democratic Action) — The percentage of time each representative voted in accordance with or entered a live pair for the ADA position on 20 selected votes of 1978. The percentages were compiled by ADA. Failure to vote lowers the scores.

COPE (AFL-CIO Committee on Political Education) — The percentage of time each representative voted or was paired in favor of the COPE position on 20 selected votes of 1978. Failure to vote does not lower the scores.

CCUS (Chamber of Commerce of the United States) — The percentage of time each representative voted with the chamber's position on 18 selected votes in 1978. Failure to vote does not lower the scores, which were compiled by the chamber.

ACA (Americans for Constitutional Action) — The percentage of time each representative voted in accordance with the ACA position on 27 votes in 1978. Failure to vote does not lower the scores, which were compiled by ACA.

REPRESENTATIVES	ADA	COPE	CCUS	ACA
ILLINOIS				
*Metcalfe (D-1)	89	100		10
Murphy (D-2)	55	70	39	23
Russo (D-3)	35	63	39	50
Derwinski (R-4)	20	20	78	78
Fary (D-5)	40	80	31	22
Hyde (R-6)	10	5	94	70
Collins (D-7)	65	85	29	14
Rostenkowski (D-8)	50	63	33	21
Yates (D-9)	100	85	22	7
Mikva (D-10)	70	89	19	9
Annunzio (D-11)	40	79	33	22
Crane, P. (R-12)	5	6	100	100
McClory (R-13)	45	21	88	73
Erlenborn (R-14)	30	10	94	69
Corcoran (R-15)	25	10	81	88
Anderson (R-16)	55	39	69	44
O'Brien (R-17)	25	10	76	77
Michel (R-18)	15	5	89	75
Railsback (R-19)	20	25	72	56
Findley (R-20)	35	15	71	79
Madigan (R-21)	30	25	75	80
Shipley (D-22)	20	75	43	31
Price (D-23)	45	85	22	23
Simon (D-24)	65	84	22	10
MISSOURI				
Clay (D-1)	85	95	24	12
Young (D-2)	25	75	44	48
Gephardt (D-3)	35	75	22	48
Skelton (D-4)	20	61	28	68
Bolling (D-5)	65	94	19	9
Coleman (R-6)	20	11	61	93
Taylor (R-7)	10	20	83	96
Ichord (D-8)	20	30	61	92
Volkmer (D-9)	45	65	29	54
Burlison (D-10)	45	75	17	22

*Rep. Ralph H. Metcalfe, died Oct. 10

THE HOUSING GAME

by Charles L. Klotzer

Portions of this article are based on "Subsidized Housing in St. Louis County" by Gary Tobin, assistant professor of urban studies and director of Urban Administration Program, University College, Washington University, which will be published by the East-West Gateway Coordinating Council.

The drama of the seventies is also unravelling in St. Louis County. Its leaders boast of retrenchment away from social commitments. Programs spawned in earlier years represent the poor even at the expense of the poor. Language, camouflaged and misused, is carefully balanced to cajole electorates of whatever persuasion.

The illusions are maintained in the name of social good. Yet, the beneficiaries of all that benevolence aren't aware of what is happening on their behalf because everyone is careful not to spread the word. They might wake up.

The facts are deceptively simple: St. Louis County leadership, abetted by mayors of some well-off municipalities, refuse to provide additional subsidized new housing for those with low and moderate incomes. The U.S. Department of Housing and Urban Development is threatening to withhold federal grants unless the County agrees to build a few more housing units.

Does HUD or the County offer a better housing plan? Neither plan is an adequate response to the needs of low-income families. Indeed, HUD's addition to the County proposal is less than a mere demonstration project financed by HUD in Chicago.

Actually, providing housing is not the issue. The Alice-in-Wonderland confrontation is between the pretense of enforcing a federal program and the pretense of fighting it. HUD's maximum program is a surrender to the County. For political reasons, the County cannot graciously accept this victory, just as HUD, for bureaucratic reasons, cannot accept the lesser County figure.

The county leadership

This drama of pretense nevertheless assigns classic roles.

Gene McNary, supervisor of St. Louis County, claims to stand for the traditional American virtue of self-determination against the arbitrary encroachment of a governmental monolith callously dictating how much and where to locate subsidized housing. His opponents see him as a racist and elitist who wishes to make St. Louis County safe for the middle classes and up, preferably white. Is he both? Or neither?

Political and economic conditions in St. Louis County are such that a fair appraisal cannot place him in either category. However, a portrait emerges of a politician who cannot lose. If he is sustained in his objections, he will be the hero of a substantial, conservative majority of county residents. If he loses, "contumacious" McNary — as he had been called by Patricia R. Harris, former secretary of Housing and Urban Development — will make sure that county residents will know about his fight come election day.

Occasionally, another view intrudes: a man caught by circumstances beyond his control but without the vision to assume progressive leadership. That view would also be an apt description of most officeholders in St. Louis County — for that matter anywhere in Missouri. Leadership goes begging.

The HUD-County dispute

Johnny Bullock Jr., HUD area manager, informed St. Louis County earlier this year that the County's housing plan for the poor cannot be accepted and that $8.9 million (under Section 8 of the Community Development Act of 1974) would not be released by the June 30 deadline. While the County originally offered to construct 200 new rental units and rehabilitate 375, HUD asked for 575 new rental units as originally proposed in St. Louis County's own Housing Assistance Plan (HAP) and the rehabilitation of 200 units. After months of bickering, HUD reduced its requirements to 400 new and 200 rehabilitated units.

When the County and HUD failed to reach an agreement, Supervisor McNary made good his threat to sue HUD for withholding funds.

HUD insists on holding the County to some of its original plan, because a sizable demand exists for families in need of at least three bedrooms. Those who apply for assistance to the Housing Authority of St. Louis County must wait at least one year — and as much as one and one-half years — because of lack of housing. As of December 1978, the Housing Authority was placing people who have been waiting since May 1977. Renters in all of the subsidized units must pay 25% of their income as rent and HUD pays the remainder.

It is primarily because of the failure of the County to provide housing to large families and disperse those units in the County that HUD and the County leadership are locked in battle.

To the supervisor and other County leaders, the dispersal of new low-income housing in the mostly above-average income communities is politically unacceptable. Rezoning hearings and neighborhood debates have demonstrated stiff opposition.

Rather than construct subsidized housing, the Supervisor recommends the use of existing units. Politically, such conversions have a lower profile. Practically, such units are just not available in sufficient numbers to meet County needs, creating a credibility gap in what the County publicly advocates.

While the impact of the HUD plan — in its benefits as well as drawbacks — will be nearly as insignificant as the County plan, implementation of the HUD plan may persuade the public ultimately to accept larger programs.

One private housing agency, Metro Housing Resources, filed three administrative complaints with HUD, according to Harry E. Berndt, Metro executive director. HUD assured Metro that the County would follow through on its housing plans for low-income families.

Berndt pointed out that there has been no progress in providing for new housing except for the recent approval of a 140-unit project in Fenton.

Is housing needed?

Is subsidized housing in the County necessary at all?

The County record is abysmal. As of December 1978, 1230 units had been built. Of these, 863 units were for the elderly, 172 had three bedrooms, and only 101 had four or more bedrooms. Thus only 8 percent was reserved for large families. Indeed, in fiscal year 1978, the supervisor blocked subsidized apartment developments which HUD had approved. During the next fiscal year, he refused to accept a single newly built, assisted housing unit.

The County Housing Authority shows the following distribution of subsidized units as of April 1, 1979:

Bedroom	Number
0	107
1	747
2	467
3	94
4	17
5	1
6 or more	1
TOTAL	1434

Only 19 units (1%) had four bedrooms or more.

On a collision course

McNary's and HUD's statements have repeatedly made headlines in the daily press. While their statements reflect their political and social perspec-

tives, they are equally significant in what they omit.

Much of this article is about the omissions.

FOCUS/Midwest questioned Ken Lange, HUD's deputy area manager, as to why HUD asked the County to provide for only 575 units (now reduced to 400) when the estimated housing need in St. Louis County is 16,800.

"A rule of thumb with HUD is to require housing accommodations for 5% of need per year," Lange told FOCUS/Midwest.

"It is not the number of units which will be built, but the commitment that the County will seriously address itself to the needs of its citizens." In its initial request, then, HUD tried to accommodate the County by abandoning its "rule of thumb" which would have meant a minimum of 840 units.

The deputy HUD administrator accused the county supervisor of reneging on past agreements. In 1976, three years ago, "the County proposed the construction of 718 new units. So far only 217 have been built." Lange also pointed out that the County's program for the elderly, which is not controversial politically, has exceeded its three-year goal of 757 units and now totals 1391 units.

Lange admitted that the initial proposal represents an accommodation to the conservative County administration and that most low-income families applying for housing subsidies have no chance of finding relief through the Section 8 housing program. "Personally, the numbers themselves are not as important as the commitment. If McNary would be really committed to do the job, even 200 would be fine. But the County is not contemplating any kind of rational program."

Although Lange agrees that providing for 2-2/3% of the housing need is as meaningless as providing for 1-1/3%, the difference is a stepping stone in the right direction. "Indeed," Lange contends, "if the County would have kept to its own proposals which were approved by HUD, there would be 1,000 units in place and we would be working on 2,000."

The inadequacy of both the County and the HUD programs reflect the political and budget limitations within which the program must operate, said Lange.

"There just is not enough money available to place all in need."

* * *

Aside from the inadequacies of all recommended programs, the complexities of providing subsidized housing cannot be understood without taking into consideration three factors: (1) the type of people who need housing, (2) federal policies for racial and income dispersal for subsidized housing, (3) the efficient expenditure of housing dollars, and (4) inconsistencies of HUD directives.

These factors demand different solutions which are in direct conflict. If this conflict is not resolved, the damage to the quality of life in St. Louis County will not be apparent for some time. But the blockage of funds will hasten deterioration, especially in the inner as well as in some of the more affluent suburbs.

The supervisor's political stance and HUD's desire for another test case, appear to make the courts the final arbiter. The courts will most likely uphold HUD. This represents a sort of compromise. It will enable McNary to retain his public position while having to accept federal standards if he wishes to use the Community Development Block Grant funds at all. It will enable HUD to enforce its standards without McNary's agreement.

(1) The people in need

Family size, age, income and race are some of the factors that differentiate housing needs and affect governmental and private policies on the type, location and cost of housing. Given the market supply, some groups are more difficult to service than others. This is especially true for large families.

Today, some 21,000 county families need some kind of housing assistance. Of 4,600 applicants who are waiting for housing assistance, about 3,100 need one- or two-bedroom units and about 1,400 need three- or more bedroom units. Actually, this is only a very small proportion of the households who would request assistance if the Section 8 program were more widely publicized and understood.

(2) Federal requirements

Subsidized housing by local governments is largely financed by federal monies. Local governments, therefore, must adhere to the housing agenda set at the federal level, mostly determined by HUD. For new construction as well as for rehabilitation, two of these HUD goals are dispersal of low-income households and minorities throughout a metropolitan region and a growing emphasis on providing more housing units to large families.

The federal emphasis on housing for large families comes from the disproportionate number of elderly units being built under the Secion 8 program and the relative absence of large family unit construction. As reported

in 1977, about two thirds of all Section 8 reservations and starts during fiscal 1977 were for elderly housing, a statistic which underlines the problem HUD faces in trying to reorient the program toward family housing.

If all these requirements are not met, Patricia Harris, former secretary of HUD, bluntly warned St. Louis County that the funds in dispute may be given to municipalities rather than the county government.

"I hope St. Louis County realizes that it cannot exclude the poor — it has made a selective decision not to provide housing for those who need it; I would certainly hope that we can have the same compassion for the poor as for the middle class."

The supervisor's response that "HUD's plan is a nightmare with sociological objectives that will destroy the neighborhoods," has been proven wrong by the successful operation of subsidized housing. Raising the spectre of Pruitt-Igoe is a cheap, rabble-rousing comment without merit. But McNary is correct that the HUD plan has "sociological objectives" which are exactly the ones which an enlightened leader should embrace.

(3) Efficient expenditures

The efficient expenditures of housing dollars is the third consideration which must be reconciled with the need for housing and the stipulation of dispersal.

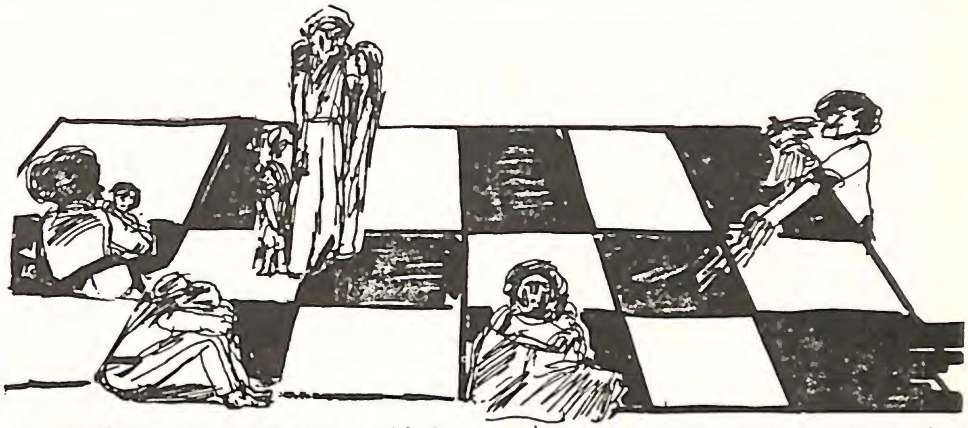
Some options are more costly than others, and some are extremely costly. The older the housing stock and the poorer the renters, the less efficient will be the use of housing funds.

The Community Development Act intends to stabilize neighborhoods by providing for the upkeep of housing and community services. Local governments are in no financial position to forego federal support. The dispersal of subsidized housing, considered such a danger to stable neighborhoods by the supervisor, is far less a threat than the loss of federal grants.

A review of the County's serious housing deficiencies underscores the importance of federal grants.

According to the Housing Assistance Plan, about 15,900 units (4.6%) are substandard. Of these, about 8,600 are owner occupied, 6,300 are renter occupied, and 1,000 are vacant.

The situation will get worse as housing stock ages. The 1970 census showed that about one third of the units were built before 1939, and about 128,000 units were built in the 1940s and 1950s. Many of these are of marginal quality and have reached an age when massive reinvestment is essential if deterioration is to be avoided.



Since deterioration reduces the cost of acquisition and broadens the market, it often triggers an influx of low-income residents. Already in 1970, 20,045 county families (8.2 percent) had an income of less than $5,000 and 8,826 had an income below the poverty level (which surprisingly represents 18.4% of all the families in the metropolitan area). It is assumed that the low-income proportion has doubled since then and will further increase year by year.

Even with good intentions, local efforts will remain ineffectual. Only federal dollars and their efficient expenditure can match the immensity of local need.

(4) Inconsistencies of HUD directives

HUD's criticism of existing County subsidized housing is curious, since none of this housing could have been constructed without HUD approval. If the past record is dismal — and it is — so are past HUD directives.

Similarly, the growth of subsidized housing for the elderly, apparently at the expense of low- and middle-income families, could not have taken place without the approval of HUD.

No matter how impatient HUD became with the County's delaying tactics, it should not have let itself become curt and nearly disrespectful in its official communications. After all, McNary is the elected head of a governmental unit and deserves the courtesies inherent in such a position.

New construction or rehabilitate housing?

Since new construction faces local opposition and other political obstacles, the supervisor's plan to utilize existing rental units may appear less forbidding.

But housing market conditions, particularly cost and availability, make this option impractical, if not impossible.

In 1977, the average rent for a 2-bedroom unit was $144, for a 3-bedroom unit $195, and a four-bedroom unit $272. With utilities, the 3-bedroom units averaged about $230 in the inner-suburbs. West of the inner-ring suburbs, rents jumped to $366 in some areas and almost $400 per month in another.

Although St. Louis County has always been overwhelmingly a place of single family units, in 1969, 1971 and 1972 more multi-family units were built than single family units. Since 1975, the percentage of multi-family units has fallen drastically — from 46.2 percent in 1974 to only 18.4 percent in 1975 and 1976. After a brief increase in 1977, the proportion of multi-family units fell again in 1978. Today, over 90 percent of multi-family units have one or two bedrooms, only 7 percent have three bedrooms, and less than one percent have four bedrooms.

The vast majority — about 55 percent — of three-bedroom units are located in the inner suburbs. The rest are located primarily in west-central St. Louis County, a very high rent district. Very few units are located in extreme southern and western St. Louis County. Four-bedroom units are located almost exclusively in the inner suburbs.

But concentrating subsidized housing in the inner suburbs would defeat the HUD goal of dispersal. Besides they have an extremely low vacancy rate. Given their current average rents and location, it would be virtually impossible to meet the needs of large families by pretending to place them in existing multi-family units. There aren't any, or so few as to make any massive program meaningless.

Units to rehabilitate are simply not available in sufficient numbers to meet County needs.

Under present conditions, the alternative — new construction, particularly of a large number of multi-family units — is not very likely in the near future. Interest rates are high and costs continue to rise. As of March 1979, only 11 parcels of five acres or more were zoned multi-family and undeveloped in all of unincorporated St. Louis County. These, too, will soon be utilized. After that, large parcels will ei-

Local veto on/off

Earlier this year, the Missouri Housing Development Commission adopted a resolution which would effectively have prevented construction of government-subsidized housing. The policy allowed local officials actually to veto proposed developments.

The Commission drew heavy criticism for its policy of considering proposals only from communities which provided evidence that the subsidized housing had local support. In consequence, the Commission adopted Resolution 314, which provides for the input of local opinion without requiring the Commission to abide by it.

State Treasurer James I. Spainhower told FOCUS/Midwest that this action was taken to show "the sensitivity of the Missouri Housing Development Commission, not only to . . . criticism, but to the possible abuse that Resolutions 289 and 297 may have unwillingly fostered."

Resolution 314 requires that local governing bodies hold public hearings wherever multifamily housing developments are proposed. If opposition develops, says Spainhower, the Commission must on occasion take unpopular stands because "there are situations wherein local biases and prejudice . . . stand as substantial impediments to the development of worthy projects."

ther have to be assembled or land will have to be rezoned, an impossible political prospect.

Given these difficulties, new construction may have to occur in the inner-suburbs on land that once was used for multi-family units and has been cleared.

Best solution

Since private, new construction will be at a minimum and existing housing not available for subsidies, new construction of multi-family units, as recommended by HUD, appears to be the best compromise within the Section 8 program to meet the goals of dispersal, cost efficiency and placement of all groups. Sites can be chosen throughout the County, the units can be designed to provide a good mix for all groups and the costs can be partially covered with Community Development funds or through the involvement of the private sector.

Admittedly, so little vacant land is zoned multi-family and available for development that this option is very difficult to implement for political reasons. Vacant land is available in both the inner and outer suburbs, but this land would have to be rezoned, probably raising severe political opposition if large family units are to be included. Nevertheless new construction of multi-family units is the best option, but politically the most sensitive. Aggressive education of and by the County leadership would be essential to help minimize negative reactions of neighborhood citizens and organizations.

Clearly, it will be very unpopular to provide subsidized housing in St. Louis County. The market has evolved so that the servicing of all needy groups, dispersal by race and class and cost efficiency have become almost mutually exclusive.

The goal of providing housing to all needy groups would seem to be the most important of these. Given the reality of the political factors as well as the location, type, cost and availability of units in the County, less than rigid adherence to either dispersal or efficiency factors is necessary, or land will have to be rezoned if all groups are to be at least minimally assisted. Either costs must go up or dispersal becomes less important. In terms of the social benefits, of course, dispersal is important. But is it more important than not providing housing at all?

This question is answered differently by the County, by HUD, by private housing groups and by social planners.

But the real issue remains unanswered: how to provide housing for those with low or medium incomes.

Has anyone thought of asking them? ■■

HARROLD LASSWELL

"In another half-century, (his works) will take their place as part of the common heritage of our culture."

by Lawrence Freedman

Harold Dwight Lasswell — teacher, scientist and thinker — passed away earlier this year. He was also co-chairman of the Institute of Social and Behavioral Pathology. From time to time FOCUS/Midwest has published findings of the Institute. In these excerpts from his eulogy, Lawrence Freedman, himself a renowned social scientist and co-chairman of the Institute, offers us the essence of Lasswell's contribution.

On October 24, 1928, Harold Lasswell was invited to speak before the Vienna Psychoanalytic Society in which Sigmund Freud and his colleagues participated. Harold delivered a paper entitled, "Can we distinguish different types amongst our physicians and is their taking up politics conditioned by certain definite factors in themselves?"

Like Freud, Harold Lasswell's work has been controversial; like Freud too, the writings of his very early period have now become so fused with the common culture that they are regarded as truisms, whose origins tend to be forgotten. The works of the later years of this extraordinarily productive man have hardly been absorbed, and in some cases, even read. In another half-century, they too will take their place as part of the common heritage of our culture.

It is ironic, although I'm sure he must have thought of this — probably before I was born — that this supremely intellectual man, who delighted in the study of mysticism and religions as he did in all the myths, fantasies, and belief systems of man, who has formulated in the twentieth century concepts and configurations which will become the truisms of the twenty-first, this rational man will be reincarnated in a million lives and relationships.

He knew his worth and he would accept the idea that his ideas will be continuing influences, but would perhaps be startled that I symbolize that influence in such animistic terms.

Analysts have traditionally shared the conceit of other scientific disciplines that they were value-free, or that morality was self-evident. Lasswell early recognized that men share biological constants in varying degrees throughout its species, so it shares value constants throughout its variegated cultures.

Harold sought and found the unifying principle in complexity. He saw the configuration within the context. He saw too that the creative mind must perceive the dynamic ambiance of the aesthetic whole. He distinguished myth from reality, stereotype from function. In the past, the developing fetus, relates symbiotically with the mother. The neonate is separated from the mother into the cold, hostile, unmanageable world. Infancy, childhood, and adolescence make up the developmental sequence during which the adult of the polis emerges. The sick person is treatable. Far better to prevent the sickness. Community stresses can create personal insecurity. Far better to prevent community stresses.

Lasswell was a man whose relationships with other persons may be subsumed in the word *civility*. In his personal being was the expression of civil communication, humane relationships, democratic civility. He believed that the widest possible dispersion of the essential values which are shared by all mankind is the only legitimate goal of the hope for predictive powers and prescriptive utility of his policy sciences. He believed in the dignity of man.

Neither Freud nor Lasswell discovered either the unconscious or the essential irrationality of man or of mankind. In this they were anticipated by Plato and Aristotle. Freud's contribution was a method, free association, and a relationship, empathic transference. The concern of each was with the dignity of individual man. Freud made a monumental contribution to the scientific study of the emergence of psychological man from his biological predispositions and imperatives.

Lasswell, even as a child, recognized the power of these ideas and methods. Freud's *Civilization and Its Discontents* is a statement of the vicissitudes of individual man against the constraints and demands of the culture and civilization. But Lasswell the political scientist, seeking to make a science of the study of the polis, recognized not only that the polity was made up of persons *against* the demands of civilization, but persons *in* a culture.

From conception to death, becoming and being is a relationship of person and person. In the aggregate such a set of relationships becomes culture or civilization. Within it, each man seeks his values. Democracy provides the maximum values to the largest numbers of persons. The need of each man is for deference and civility. Lasswell has provided behavioral science with the techniques for research which will so enlighten us that we may yet achieve those goals. ■■

by J. R. Bennett

A LESSON IN DOUBLE

Do the Mobil public relations technicians believe us half-asleep on Sundays, unwary of the dazzle of diversion, susceptible to cleverly manipulated, heavily-financed advertising?

They seem small at first glance, those Mobil "Observations," only one-third of one page in the Sunday Supplements, *Parade* and *Family Weekly*. But Mobil spent $2.5 million for these ads alone in 1977 — $1.2 million of that to *Parade*. That's a lot of money, about half of Mobil's explicit ideological campaign in 1977 (over $5 million), but a paltry amount compared to the many millions that the oil industry as a whole spends each year to persuade us about energy policy.

Each oil company's campaign, each separate aspect of Mobil's campaign ($3 million for the "Real Challenge" series and related advocacy advertising in 1977) deserves inspection, but I will discuss here only Mobil's $2.5 million per year "Observations."

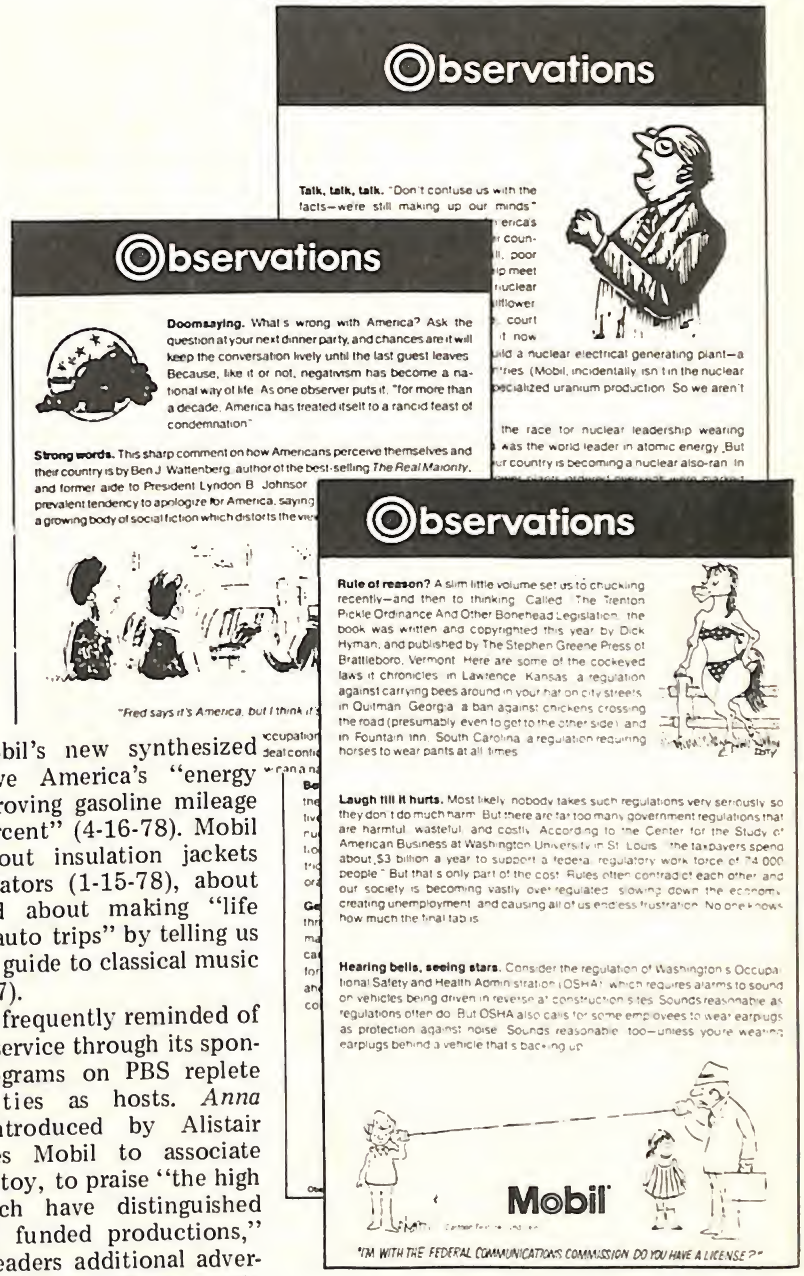
I have never seen in any textbook any discussion of apparent randomness as a rhetorical strategy, but that is the organizing principle employed by the writers of "Observations." The title of the ad series reinforces this strategy by suggesting not writing to a thesis but the objective observing and recording of phenomena. In the twenty-three ads I studied — published during the years 1976, 1977, and 1978 — I found information in no particular order on all sorts of subjects (at least twenty-five distinct topics): the safety of offshore oil exploration and production, the barriers to exploration harmfully erected by government, the danger of using leaded gas in the wrong engines, the benefits of free competition in the oil industry, storing snow tires during the summer, the need for energy exploration and Mobil's great contribution to such exploration, the evil of government regulation of the oil industry, the need for high profits, the need to conserve energy, the American love of travel and Mobil's great contribution (cheap gas and travel guides), the goodness of people in America, Mobil's outstanding oil ("Mobil 1"), the greatness of America, pollution by governmental agencies, the responsiveness of big business, and Mobil's research and development program among many others.

It is difficult to put it all together, especially when the ads are published only every other Sunday. After a superficial reading we might have been tempted to label it the strategy of topsy-turvy. But a thesis lives beneath the careful confusion, beneath the *Reader's Digest* style of anecdotes, beneath the cartoons. Mobil is not wasting a dime of its $2.5 million.

It is simple, once you put the jigsaw puzzle together — a simple good-evil dichotomy, the mainstay of propagandists. The writers of the "Observations" ads perceive reality as composed of good guys and bad guys. Everything fits, too, amid the apparent jumble; everything is directed toward the one goal of persuading us to esteem Mobil and the oil industry and big business, and to condemn government — at least that government which would regulate Mobil, the oil industry, and big business.

In 1976 the Mobil advocates clearly identified the enemy in one atypical, single-topic ad: all of its six sections attacked government regulation. The ad reports on a new book on asinine regulations, which "set us to chuckling." More serious regulations are described as costly hindrances to work in a society "becoming vastly over-regulated." The third section singles out two Occupational Safety and Health Administration regulations which contradict each other. A cartoon ridicules an FCC investigation. The fifth section tells of an FDA clerical error. And the final section invites readers to send in their examples of "regulatory ineptness, contradiction, or plain silliness" to help "stem the tide of over-regulation." Throughout 1977 and in 1978 here and there the Mobil advertisements ridiculed or denounced government regulation: regulation caused the energy crisis (10-2-77), regulation interferes with exploration (9-1-77), regulation caused the natural gas shortage (2-20-77), government is more guilty of violating pollution regulations than is business (4-2-78), government would "ban" everything (cartoon, 6-26-77). In one ad Mobil apologizes for attacking a regulation on cabbages when in fact no such regulation existed, but then it cites equally "hard-to-understand" regulations on olives and peaches. There is even a story about an owl threatened by government red tape (2-6-77).

Most of the ads, however, praised Mobil rather than attacked government, and it is here that the unity of the ads is most discernible. The most recent ad examined (5-14-78), affirms on a broad national and historical basis the theme of "all's right with America as it is." It denounces negativism about America and calls upon us to see



SPEAK

the Public Broadcasting Service thirteen-part series written by Ben Wattenberg against critics of America, "In Search of the Real America." Wattenberg, we are told, buries the myth that big business is "insensitive to the needs of the people." Seeing his series "will make you feel good about the country." This patriotic positive thinking, linking America's good with Mobil, the oil industry, and big business, unites all the details of "Observations." In every possible way Mobil exalts itself as a public service company. In the same breath it assures us no monopoly exists in the oil industry and by cartoon suggests the need for large sophisticated companies for offshore drilling (2-27-77). It offers the oil industry's energy program as the best for America (3-6-77). It claims that for all its great service to the nation, its profits are low (3-13-78). It reminds Americans how much a bargain are gasoline prices in America (5-1-77, 3-5-78). It praises the oil industry and Mobil and its subsidiary Montgomery Ward for their great "conservation consciousness." It praises the oil industry's heroic increase in exploration wells in 1977 (4-30-78). An entire ad stresses how good people are in America, the "individual acts of kindness" by "good people . . . busy doing good things for others." And of course one of the good persons was assisted by Mobil, and another good person works for Mobil (3-19-78).

Nothing is wasted. Mobil gives statistics on increased motor fuel consumption and pleads for fuel saving during the "energy crisis," while lightening our worries with a cartoon about using water for fuel (2-13-77). "Mobil 1," Mobil's new synthesized oil, helps solve America's "energy crisis" by improving gasoline mileage "up to five percent" (4-16-78). Mobil even cares about insulation jackets around refrigerators (1-15-78), about car theft, and about making "life easier on long auto trips" by telling us where to buy a guide to classical music on radio (2-2-77).

And we are frequently reminded of Mobil's public service through its sponsorship of programs on PBS replete with celebrities as hosts. *Anna Karenina* (introduced by Alistair Cooke) enables Mobil to associate itself with Tolstoy, to praise "the high standards which have distinguished previous Mobil funded productions," and to offer readers additional advertising through a program guide (1-22-78). *Between the Wars* (hosted by Eric Sevareid) is treated similarly 4-2-78). The *When Havoc Struck* series (narrated by Glenn Ford), by showing how humans have learned from disasters, presents a message "of hope" (1-8-78). But other PBS programs more closely advocate Mobil's special theses and are not merely for Mobil's public service image making. *Ten Who Dared* (Anthony Quinn narrating) received particular attention, ad after ad recommending it and the book upon which it was based. This series is closely related to Mobil's attacks on government regulation of prices, which it claims caused the energy crisis, and to its self-image (and the image it presents of the oil industry) as an heroic explorer for energy at great expense and hazard for the public good.

People concerned about the "Public" Broadcasting System (sometimes called the Petroleum Broadcasting System) will be appalled by the ability of large corporations to make grants and thus to determine what will play on public television and at what time. The evidence I give here of the tendentious political relationship between Mobil's magazine ads and its sponsorship of PBS programs further corroborates the argument of our country's foremost historian of broadcasting, Erik Barnouw, that corporate television advertisers control television (in *The Sponsor*, Oxford, 1978).

"Observations," then, manipulates the appearance of topsy turvy for a well-planned, sustained advocacy of an America controlled by big business represented as devoted to public service. It condemns regulatory government as a massive, expensive, absurd bureaucracy. The rhetoric of randomness conveys the message insistently

but unobtrusively and pleasantly.

Now the hard work of analysis begins, for Mobil has omitted much.

The National Council of Teachers of English a few years ago passed resolutions urging teachers to attend to the use and abuse of language in politics and commerce. To activate these resolutions the NCTE created a Public Doublespeak Committee, and this Committee endorsed a simple binary method of propaganda analysis called "Intensify/Downplay." Advocates intensify their own good and their opponent's bad; they downplay their own bad and their opponents' good. With few exceptions (Mobil recognizes the desirability of immunization and right turns on red), Mobil intensifies its own good and the government's bad. But this is the easiest part of propaganda analysis. Discerning what is suppressed is more difficult — in this case Mobil's bad and the government's good — because such perception requires considerable knowledge or the time and research to acquire that knowledge.

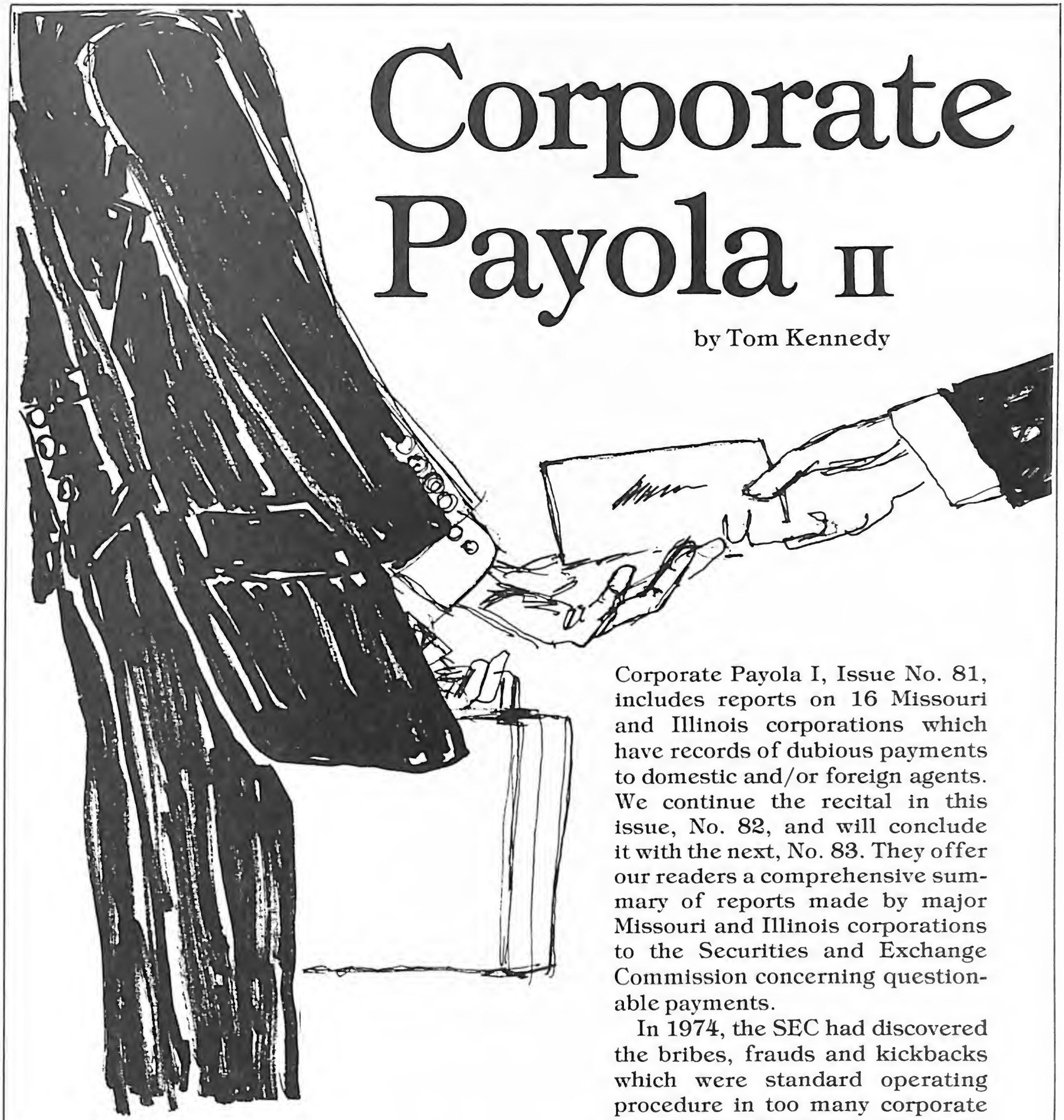
Mobil has been justly praised by S. P. Sethi in *Advocacy Advertising and Large Corporations* for leading the way in declaring some of its advertising as non-deductible grass-roots lobbying, in contrast to other corporations which try to deduct all of their advocacy advertising as a business expense. In the case of the "Observations" series Mobil deducted 61% as a business expense and declared 39% as non-deductible political campaigning in 1977. While we may admire Mobil's declaration, a case can be made that the overall theme and unity of the series justifies no deduction at all. Downplay analysis will further expose the pervasive political bias of the ads.

Mobil maintains in "Observations" and in all other parts of its energy campaign that America's energy crisis derives not from a shortage of energy resources but from the interference of government. There is sufficient oil and gas, but the government "won't let us go find it" (9-1-77). Congressman James M. Hanley of New York expresses an opposing viewpoint — one never heard in the "Observations": 1) H.R. 8444 allowed "the oil companies billions in new profits, but what they are really after is the estimated $10 billion per year consumers would surrender to oil company coffers under total deregulation, a not-too-subtle form of highway robbery which the House, in its wisdom, has refused to go along with." 2) In 1974 Mobil, "flying in the face of the national policy advocating energy independence," decreased its expenditures for domestic exploration and increased overseas exploration. In 1975, both domestic and foreign exploration were increased, but "the overseas effort . . . received the lion's share." In 1976 Mobil "actually curtailed its effort." 3) In contradiction to its claim of dedication to America's energy crisis, Mobil acquired Marcor Corporation, the holding company for the Montgomery Ward department store chain, at the height of the Arab oil embargo. "Using windfall profits, Mobil expended $1,707 billion for complete acquisition of Marcor, a staggering 222 percent over what it was willing to spend on realizing its highly touted advertising campaigns to bring us more oil and gas. So there we have it. The Mobil Oil Corporation's hypocrisy is transparent. The company's goals are sky-high profits and an expanded corporate empire. Its professed concern for the travails of the American people are largely non-existent." 4) Mobil's attacks on government regulation are partly traceable to its dislike of regulation of its coal mine operations in Wyoming (2,500 million tons of reserves). Mobil is fighting against paying the "5 cents a ton needed to restore the millions of acres of already strip-mined, gutted land and the additional sums needed to assure that Wyoming does not become another Appalachia," in spite of the rise in price of coal and lignite from $8.53 a short ton in 1973 to $20 in 1977, a rise of "225% in four years." "Given the lucrative profits involved here, are we being unreasonable on strip-mining? And given the terrible safety record of the mining industry, can we really abandon the bills and regulations . . . merely to keep the giants of the corporate boardrooms smiling?" (*Congressional Record*, Vol. 123, No. 170, Oct. 20, 1977).

Representative Hanley barely hints at the downplay pervading Mobil's ads. He does not mention, as have other knowledgeable authors, that Mobil and the oil industry have failed to perform long-range research for alternatives to fossil fuels, in their pursuit of immediate profits, nor that the government has provided research and planning and money for both. (Now Mobil claims to be a leader in solar research, 10-6-77). He does not mention the monopoly (resulting in automatic price-fixing) of the oil industry, which Mobil denies by describing the "fierce" competition by "27 independent companies" and "seven . . . independents and majors bidding jointly" (2-27-77). He does not mention the oil spills, which Mobil covers over with its *Havoc* series (things are better and better for mankind because people learn from disasters).

One other strategy of "Observations" is worth observing. In his novel, *1984*, George Orwell coined the term "doublethink" to denote affirmation of contradictory beliefs as a technique of totalitarian control. "Observations" offers several choice examples of this sort of obfuscation. The Mobil manipulators advocate saving fuel and energy by avoiding unnecessary trips (2-13-77), using energy saving cooking utensils and refrigerators (9-1-77), but at the same time encourage travel by selling travel books (6-26-77) and a book on classical music on radio (2-20-77), by praising mobile homes (5-1-77), and particularly by arguing for "more push behind developing oil, gas, and coal resources" (i.e., for fewer taxes and environmental/safety regulations) and for "less on sacrificing American standards and lifestyles." Several ads warn against excessive conservation (e.g., 10-2-77). Mobil is for economy and conservation in small things, and for consumption in large. Another of the many examples of doublethink: government regulation is bad but government tax "incentives" and public funds for energy research and development are good (public assistance good, accountability to the public bad).

The most distrubing aspect of the "Observations" series is its attempt to discredit the regulatory responsibility of representative government. The SEC, the FCC, the FTC, all of the regulatory agencies were established by Congress for the public interest. And although they have been traditionally weak — in fact in many cases manipulated by the very businesses they are supposed to regulate — they remain, under Congress, the representatives of the people's interest against those who value the pursuit of profit before the public good and who are not accountable through the democratic process. Feeble as they are, Congress and its regulatory agencies are still our best hope for the public interest. But unless the people and Congress can get opposing viewpoints — those systematically downplayed in "Observations" — there is little likelihood that the agencies will themselves consider seriously what is in the public interest. The officers of Mobil often say how deeply they believe in a "free press." But is this because they can buy it and thus overwhelm opposing viewpoints? ■■



Corporate Payola II

by Tom Kennedy

Corporate Payola I, Issue No. 81, includes reports on 16 Missouri and Illinois corporations which have records of dubious payments to domestic and/or foreign agents. We continue the recital in this issue, No. 82, and will conclude it with the next, No. 83. They offer our readers a comprehensive summary of reports made by major Missouri and Illinois corporations to the Securities and Exchange Commission concerning questionable payments.

In 1974, the SEC had discovered the bribes, frauds and kickbacks which were standard operating procedure in too many corporate businesses. Realizing that individual SEC investigation would be impossible because corruption was so widespread, the commission announced a plan whereby companies could investigate themselves and make public their findings. Those reports—and the SEC's response—are the basis of this series of articles.

Tom Kennedy is a researcher for Charles E. Simon and Company, specialists in SEC research and retrieval.

Beatrice Foods Co.

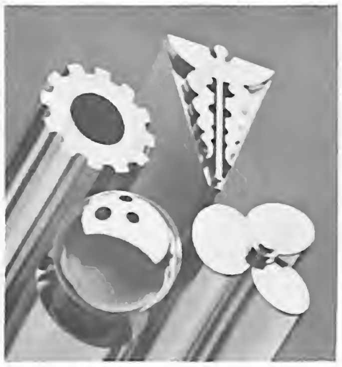
Beatrice Foods Co., number 36 on the Fortune 500 list, is undisputably a giant in corporate America — its largest food company. With a whopping $26.41 million it has acknowledged in questionable payments and practices, it also ranks as one of the largest corporate offenders in this realm, as well.

Some of the myriad questionable transactions reported by Beatrice to the SEC in February 1977 include:

- $20,300,000 paid by Beatrice dairy plants in 15 states to customers between March 1, 1971 and October 31, 1976. These discounts, which may have been in violation of state or federal dairy regulations, paid mostly from unrecorded bank accounts and were usually entered on the company books as "expense items." Certain members of top management, including two vice presidents, John A. Conners and William W. Granger, Jr., and one director, Dan L. Grantheur, were said by Beatrice to have been to various degrees aware of certain discounting practices during the period under investigation.
- $6,895 in contributions or gifts to U.S. politicians at the federal, state and local levels.
- $22,000 in foreign political contributions
- $730,250 involving "misleading" accounting entries paid to a U.S. lawyer
- $26,000 to domestic union officials
- $789,400 to foreign customers
- $3,480,000 overbilled foreign customers
- $607,500 underbilled foreign customers

On August 17, the SEC filed a complaint for a permanent injunction to which Beatrice, without admitting or denying the allegations of the complaint, consented.

Two other court actions, brought by the states of Nevada and Colorado, were settled by Beatrice for a total of $225,000 paid in fines and court costs.



Brunswick Corporation

Brunswick Corporation, the Skokie-based maker of recreation, health care and technical products, revealed in August 1977 that it had received a total of $161,950 in promotional and advertising allowances from the Jos. Schlitz Brewing Company of Milwaukee. The nation's 242nd largest corporation operates cocktail lounges and restaurant facilities in some of its bowling centers. The funds were spent for "national promotions of food and beverages in the bowling centers," particularly Schlitz products, Brunswick said.

The payments, $135,000 of which were received between January 1, 1969 and May 31, 1973, were disclosed to the SEC after the company had been subpoenaed by the Commission for certain documents relating to its investigation of payments by Schlitz.

As regards its arrangements with Schlitz, Brunswick said it "does not believe that anything it did was unlawful or improper."

Questionable outlays or practices indulged in by the company and uncovered during "several investigations" included:

Overbillings and underbilling of foreign distributors to the tune of some $303,000.

Payments or gifts totalling $742 to local officials or local union leaders in Mexico.

Reported payments of $20,000 to a Latin American army officer to secure his approval on a contract to supply and install bowling equipment in an army officers club.

Two thousand dollars paid to officials of a "quasi-governmental agency" to get bowling equipment into a second Latin American country, and $30,000 paid certain officials of the same agency that was obtained by increasing Brunswick's bill to the agency by that amount — i.e., Brunswick helped the officials bilk their own agency for thirty grand.

Carson Pirie Scott & Company

Carson Pirie Scott & Company, of Chicago, operates department stores, lodging and resort facilities and concessions. According to charges levelled against Schlitz by the SEC, Carson received about $265,000 in illegal cash payments in connection with purchases of Schlitz products for its concessions at O'Hare Airport.

Carson, in a filing with the SEC, denied that it had received any discounts or allowances from distillers or brewers. The company did acknowledge, however, that it had received in the years 1971 through 1976 discounts and allowances of $1,071,024 from 33 different wholesalers. Carson does not believe the discounts and allowances to be illegal, and expects "to continue the practice of receiving lawful discounts," the report says.

Carson investigated its practices after several questions were posed to some officers by the IRS and after the SEC requested information concerning its investigation of the alcoholic beverage industry.

The investigation revealed no off-book accounts, but did uncover $10,600 in political contributions to state and local officials in Illinois. The contributions, made since January 1, 1969, were mostly in the form of tickets to political dinners or receptions and were improperly deducted from federal income tax returns. The IRS was informed, the report says, and tax deficiencies are expected to be assessed for the years in question.

In addition, two directors of Carson International Inc., the subsidiary that received the discounts and allowances referred to above, made political contributions of $7,000 during a time when an Illinois state law barring such contributions was being tested in state courts.

No more than $2,000 in $25 gift certificates was handed out to employees of Cook County or the City of Chicago over a four-year period.

Carson notes the possibility of sanctions by federal or state agencies as the result of receipt of the discounts or of its political contributions.

Chicago Milwaukee Corporation

Chicago Milwaukee Corporation (CMC), or, more specifically, its major subsidiary, a railroad, found itself brushed by the wings of "questionable payments" when the SEC lodged a complaint against it in June of 1976.

The bulk of the complaint against CMC, the Chicago, Milwaukee, St. Paul and Pacific Railroad Company (also known as "the Milwaukee Road") and four officers and directors, deals with a number of complicated schemes whereby the defendants allegedly drained assets from the railroad's land company subsidiary to keep the faltering railroad alive.

Also mentioned in the complaint, however, were a number of corporate political contributions funneled through the "Milwaukee Road Officer's Trust Account" set up in 1965.

In consenting to the SEC's complaint and a permanent injunction not to violate securities laws in the future, CMC agreed to investigate and report on the five matters referred to in the SEC complaint, one of which was the trust fund.

Contributions to the fund, the March 1977 report says, came from fewer than 100 persons each year, generally through payroll deductions. Total contributions would appear to have been in the neighborhood of $138,000. The fund was completely voluntary, the report claims, with no participant ever "pressured to become or remain a contributor."

But: as of January 1, 1965, 25 Milwaukee Road officers received, on top of a 7% pay raise given to all "non-union exempt" employees, an additional $25 a month "and at the same time agreed to contribute to the Fund, generally at the rate of $15 per month," says the report.

This haunting little tune was heard before. It was the theme song of the Missouri Public Service's "Good Government Club." The SEC nailed them on the same scheme.

Total contributions by these 25 participants were $42,000 before they dropped out of the fund in June 1976 — the month the SEC filed suit. The report notes several odiferous practices associated with the administration of the fund, including cash handouts to political candidates, but the three directors who issued the report elected not to pass on the SEC's charges "that the reimbursement of employees by the Railroad may have violated federal law" prohibiting corporate political contributions to candidates for federal office.

As to the other charges contained in the SEC complaint, the report states that they are "essentially accurate." The committee suggested a number of corrective measures, including a Fund "reconstituted" to ensure compliance with federal and state laws.

The railroad filed a petition for reorganization under the Federal Bankruptcy Act nine months after the report was issued.

Consolidated Foods Corporation

Consolidated Foods Corporation, another Chicago-based food giant a few doors down from big sister Beatrice, likewise had a few indiscretions it wished to get off its chest. While close to Beatrice both in proximity and size (number 87 on the Fortune 500 list), Consolidated makes a poor showing in a questionable payments showdown — a scant $227,610, compared to Beatrice's $26 million-plus.

Consolidated first reported an investigation of what it terms "sensitive" payments in April of 1976. It found that since 1969, corporate funds had been used for $10,000 of foreign political contributions, $850 of domestic political contributions, and $4,760 of "payments to governmental officials." Whether or not such government officials were American public servants or those of another country, Consolidated demurely declines to say.

A year later, the company reported on certain other developments that were in conflict with its policy against sensitive payments, adopted a year earlier. The president of a "small operating unit" had apparently been taking the company for $406,000 of unsupported travel and entertainment expense during 1971-1977.

An audit of the sum revealed that about $212,000 of it was paid as bribes to employees of domestic companies to influence purchasing decisions. Because of the lack of adequate documentation, the report continues, the amounts involved are only approximate.

The president of the unit, who had signed a statement in connection with the previous investigation to the effect that he was uninvolved with any sensitive payments, was discharged. The company said it was studying the effects of the payments on its income taxes.

NEXT ISSUE: Stauray Corporation, Trans Union Corporation, UAL, Inc., UOP Inc., Walgreen Company and Wm. Wrigley Jr. Company.

G. D. Searle

G. D. Searle, a large drug company in Skokie, proved to be one of the more bashful participants in the questionable payments sweepstakes. Twice the company "amended" its report on questionable payments to include information the SEC felt should have been included in its initial disclosure of corporate mayhem.

In its initial report, sent to the SEC in January of 1976, Searle disclosed the basics of the practices. They were first discovered in an investigation begun in 1975.

Upon learning of a "certain payment" in 1975 made the year before to foreign government-connected persons, Searle ordered an investigation of practices world-wide for the years 1973-1975. For a variety of reasons, Searle opted to limit its investigation to events transpiring since January 1, 1973 through 1975.

The investigation, according to the report, revealed a total of $1,203,000 paid to foreign governmental employees "in order to obtain sales of products or services." The initial report goes on to state that "a portion of the payments . . . were unintentionally deducted on the company's United States income tax returns for 1973 and 1974." Searle estimated it would owe Uncle Sam an additional $84,000 for the two years. No illegal domestic political contributions were uncovered, the report says, nor any foreign political contributions.

Nice try, fellows, but not quite" the SEC responded. On two subsequent occasions the commission "requested" Searle to disclose more information on its investigation and the results therefrom. Searle complied, furnishing reports detailing, among other things, the conduct of the investigation — i.e., who conducted it, who they spoke to, what they asked them and what measures were taken to insure compliance with company policy. They also revealed that certain members of senior management were aware of or authorized some of the payments and that "certain of such payments were probably illegal under the laws in the respective jurisdictions."

Interstate United Corporation

Rebates on beer and liquor purchases figured prominently in a report on questionable payments filed with the SEC by Interstate United Corporation, a Chicago-based food service firm (owners of more than 30,000 vending machines), in March of 1977. The company was to learn later, however, that booze rebates would prove to be one of the least of their problems.

The company acknowledged limitations on the scope of its investigation, such as its reliance for accurate information upon "the candor of employees and former employees." Third parties were not interviewed, this being "beyond the scope of an internal investigation." The company also cites difficulties in identifying all questionable transactions, as many may have involved minor amounts.

The investigation did reveal $160,000 in rebates, received from seven sellers of alcoholic beverages, some or all of which may have been illegal under state law. Rebates from four of these companies, apparently involved invoices for catering services that had not been received, which was known to some members of top management.

Other rebates on milk purchases are also documented in the report. The company admits that some $60,000 of such rebates from one milk supplier during the years 1969-1976, the period investigated, "may have been illegal." It assigns no dollar figure to milk rebates it doesn't consider illegal.

The indiscretions that would later resurface to haunt the company and land it's president, Peter A. Tullio, in a U.S. district court facing criminal charges, were payments of $30,000 in 1973 to "someone representing, or claiming to represent, a labor union. Payments apparently were made to avert a strike or labor trouble." (More on this later.) Other labor payments of approximately "$10,000-$13,000" paid annually from 1969 through early 1976 "to a number of persons connected with local and national offices of a labor union and to an individual with a local of another labor union." The report states that this practice, discontinued in 1976, was a continuation of a practice begun "many years earlier in a business that was acquired by the Company in 1964." Payments to labor unions or officials, which were known to some members of senior management, were disguised on company books, the report says, which may result in increased tax liability. Also, the payments "appear" to be violations of the National Labor Relations Act and possibly other federal or state laws.

The company adds the possibility that paying off labor, may have been for naught. "The Company is not aware of any adverse reaction in any of its business since the payments were stopped" in 1976, the report reads.

Naturally, the politicans weren't far behind in lining up for Interstate's handouts. From 1971 through 1976, the company made 36 contributions, totaling $13,935, "which appear to have been illegal" and 10 contributions, totaling $5,115, "which appear to be legal." The bulk of the contributions were entered on company books as "expenses," the report says, and deducted for income taxes; this also raises the specter of "increased tax liabilities." The company notes that it also might have run afoul of a "local ordinance" by providing "Christmas gift baskets" and "business entertainment" for employees of a civic center at which Interstate runs the food and beverages concessions.

Other possible or probable illegal practices recounted by the company involve a $500 payment in connection with getting a liquor license for one of its restaurants, $1,901 spent on "customer promotion," and two houses used, in addition to company employees, by customers, "local governmental entities," and "a member of a labor union which represents a client of the company." The report notes that use of the Florida retreats by those described, other than employees, may involve violations of law. The Board of Directors has ordered

that the houses be sold.

The company concluded this report with a policy statement approved by the board of directors. About 120 to 150 employees will be required to turn in annual statements assuring their compliance with the twice-born company's new policy. With the completion of this standard disclosure of questionable payments, the company probably thought it was off the hook.

Not quite. Six months later, the company filed another report revealing that a federal grand jury in Cincinnati had subpoenaed certain company documents relating to its payments to individuals connected with a labor union under scrutiny. This was followed by more subpoenas and more company documents for the grand jury relating "to other aspects of the labor relations of the company." The report also claims that some current and former members of top management, including its then-President, Peter A. Tullio, had been interviewed "by the government" in connection with the grand jury proceedings "and/or" had appeared before the grand jury after being slapped with subpoenas.

In reviewing the documents requested by the grand jury, the company incidentally notes, "certain additional questionable and possibly illegal practices in the conduct of its labor relations" were discovered "for the first time." Apparently another $10,000 was paid in 1973 to the same union hustlers who received a $30,000 payoff that same year. The money was paid, says the report, "for favorable arrangements in the fourth year of a local labor contract." The government was informed that this "apparent payment was accounted for by incorrect descriptions on the books" and may involve improper deductions.

The review also discovered that a former employee "who has been discharged" used Interstate funds to purchase, roughly between 1970 and 1976, about $3,000 worth of gifts for persons connected with labor unions —including the one under study by the Cincinnati grand jury. The report admits that some present and former members of senior management may have been aware of the practices.

Then things began to heat up. A few days after the above excerpted report was issued, the company was rocked with another subpoena—this one issued by a federal grand jury sitting in Chicago investigating matters termed by the company as "related to and a continuation of the investigation of the Cincinnati grand jury."

Apparently, either Tullio or the company (or both) figured it was time for him to come clean. Interstate related in an October 1977 proxy to shareholders of Tullio's involvement with corporate misadventures. The president and chief executive officer was "generally aware" of the possibly illegal $60,000 milk rebates, the proxy states, and was "aware" of two legal politcal contributions. As director of purchasing and later vice president-purchasing, he "became aware of and participated in arrangements to obtain certain of the liquor and beer rebates." Gifts to labor union representatives, though thought to be of "insignificant" value, had been known to him "since the early 1960s," it is stated. (After assuming the offices of president and CEO in 1976, and learning of the inordinate "extent and amount of these payments, he ordered them stopped," the shareholders were informed.)

But what later led to Tullio's eventual undoing, as disclosed in the proxy, was his involvement with the $30,000 labor payoff. "In 1973, he was present at a meeting during which another member of senior management (no longer with the Company) authorized the $30,000 payment," it claims. Tullio also told the Audit Committee that he denied a 1976 request "by a representative of that union" for another 30 big ones and that he was unaware of an additional $10,000 paid to the recipient of the original $30,000.

Nonetheless, the proxy states, the board of directors (absent Director Tullio and other officer/directors) voted to keep Tullio on and recommended his re-election to the board. The company cited Tullio's assistance in the early stages of the investigation, his ban on payments to union officials in 1976, and his belief that he was conducting himself in "the best interest of the Company" (the golden rule and ultimate apology enshrined in corporate ethics) as factors taken into account.

The Chicago grand jury was not impressed. Early in 1978 it indicted Tullio and one Edward P. Altman, business representative for Local 450 of the Hotel, Motel, Club, Cafeteria, Restaurant Employees and Bartenders Union, with criminal misdemeanors of conspiracy and Taft-Hartley Act violations related to the $30,000 and $10,000 payments allegedly made to secure a favorable contract with Local 450. On May 22, 1978, Tullio "was found guilty of conspiring to pay monies to (Altman) and authorizing the $30,000 payment in violation of the Taft-Hartley Act" and "innocent of authorizing the $10,000 payment," the company reported in late May of 1978. It noted that Tullio had several legal avenues of recourse which he intended to pursue; no determination had as yet been made as to his continued employment.

As if that weren't enough of a headache for the company, the IRS audited Interstate's 1971-1973 federal income tax returns, and announced that additional tax bite of $74,000 for "deficiencies and civil fraud penalties" would be proposed. And, just for good measure, the tax boys began an audit of the 1974-1976 returns as well, the report states. Further grief may come from the Federal Bureau of Alcohol, Tobacco and Firearms, as well as from sundry state liquor commissions, all of whom were made privy to Interstate's rebates on alcoholic beverages, the report concludes.

And what of the hapless company president, the erstwhile Mr. Tullio? Sensitive payment observes monitoring the company's SEC filings for the final curtain were left in suspense when, in June of 1978, Hanson Trust Limited, a British industrial holding company, acquired ownership of the company and Interstate was no longer required to register with the Commission. But, as James Thurber once said, "You could look it up."

International Harvester Company

At No. 28 on the most recently available Fortune 500 list, International Harvester Company, based in Chicago, is the country's largest producer of farm equipment machinery. Nor is it any slouch when the issue of questionable payments is considered. A company-ordered investigation covering the five years previous to November, 1976, revealed at least $5.3 million of eyebrow-raising transactions, all foreign.

One foreign subsidiary, it was discovered, paid $43,000 in "commissions" between 1972 and 1974" to an official of a foreign governmental entity." This same subsidiary said "under questionable circumstances" a commission of $230,000 to an individual serving as an adviser to a governmental purchasing agency of a second foreign country. Top management of International Harvester were, according to the company, unaware of these commissions.

As a result of these discoveries, the company adopted strict guidelines to insure the propriety of all future commissions. To the despair of the commission agents in the two foreign countries mentioned above, the implementation of said guidelines resulted in the cancellation of all existing commission arrangements in that country. During the previous five years, other agents in that country collected some $7,700,000 in commissions, often under curious circumstances such as "no written contracts" and non-compliance "with local laws governing commission agents."

As a result of the investigation, International Harvester decided to "formally extend" its policy not to enter into overbilling arrangements on sales from the U.S. to its foreign subsidiaries. Over the five-year period, some $5,000,000 of over-billed funds were reimbursed to customers by these subsidiaries.

To its credit, I.H. adopted stringent policies regarding commissions, payments to numbered accounts, third persons or third countries, and overbilling.

International Minerals & Chemical Corporation

As fertilizers go, processed fertilizer doesn't carry the same malodorous reputation as its country cousin, the noble cow chip. But that doesn't mean you can't get an unpleasant snootful or added embellishments to your footwear if you were to nose around the processed fertilizer industry—and that's not at the manufacturing plants, either.

International Minerals & Chemicals Corporation, (IMC), of Libertyville, describes itself as "principally engaged in the fertilizer business" as well as dabbling in the chemical and industrial products business. The 195th largest U.S. industrial corporation, began its investigation into past practices early in 1976 on the recommendation of its president. Some 350 persons received questionnaires; 75 people in the U.S. and five foreign countries, including all corporate officers, were interviewed.

The results indicated that IMC and/or its subsidiaries had been indulging in the usual mixed bag of payments chicanery from 1971 to 1976: overbillings, questionable commissions, sales—related payments, and political contributions.

In describing nine cases in which it accommodated foreign customers by over-charging them and paying them the difference in a third country, the company coyly indicates the sums involved as "a low of $50,000 in fiscal 1976 to a high of $1,213,000 in fiscal 1974." Except two instances, (one in which a decision was made to sell the business and another in which two members of senior management were aware of "certain facts" three years before the arrangement ended), all were phased out by the company as it became aware of them during 1973-1976.

Four other instances of overbillings, totalling $852,000 involved a foreign subsidiary of a corporation purchased by IMC in 1975 and were all executed prior to the purchase. The chief officer of the purchased corporation, who became a director and officer of IMC, had been aware of "certain of these matters."

Questionable commissions to

foreign sales agents, including one of $642,000 paid in cash, were also discovered. The other instance coned a sales agent who asked the $242,000 of his commission be paid to bank accounts in the name of an employee of a purchaser. Talk about chutzpah! Usually, the last thing a sales agent wants his meal-ticket to know is that he's bribing customers or their employees to purchase his firm's products. Not that all companies would necessarily squawk about this arrangement, as the litany of SEC disclosures indicates. After all, a sale is a sale. And there's a big difference between impropriety and the appearance of impropriety.

Other payments of $235,000 went to approximately 10 employees of foreign customers, suppliers or agents. Although the company claims it has not determined the purpose of these payments, it drops a strong hint: "The sales-purchases involved in these transactions are estimated to have totaled approximately $30 million in the (five year) period."

Political contributions funded by I.M.C. totaled about $2,750 and were all for the benefit of Congressional candidates. Some $1,500 of this was advanced to a divisional manager for contribution, the rest went towards the purchase of tickets to political fund-raisers. Some members of top management were aware of these matters, the report notes. Although the company terms such payments "insignificant," it acknowledges they "may have involved technical violations of U.S. law."

Questionable outlays of corporate cash often travel a two-way street. While I.M.C. was dishing out the payola with one hand, the other managed to pocket a fast $150,000 in rebates over the five years. All of these funds were spent outside the U.S. on "normal business expenses," the company says, except for a $1,000 payoff to a low-level official of a foreign government.

The rebates never made it onto company or subsidiary books of account, I.M.C.'s report states.

The I.R.S. was informed of any tax discrepancies resulting from the payments.

Katy Industries, Inc.

When it comes to establishing a comfortable little nest egg, Wallace E. Carroll is riding high. According to a suit filed by the SEC in August of 1978, Carroll controls directly or indirectly, as trustee for trusts set up by him and his wife and through outright ownership of stocks, 35 percent of the outstanding voting securities of Elgin-based Katy Industries, Inc.

This percentage of the country's 751st largest industrial pie will prove a handy security blanket to supplement Carroll's Social Security stipends. Overseeing and managing such a sizeable chunk of capital must be entertaining. So is Carroll's more formal occupation—as chairman of the board and chief executive officer of the diversified (electrical equipment, industrial machinery, oil field services and consumer products) Katy.

But Carroll's various hobbies are of less concern to the SEC than some slick maneuvering in landing an Indonesian oil exploration contract in 1972, as alleged in the civil complaint naming Katy, Carroll, and lawyer Melvan M. Jacobs, a director and counsel of Katy. The scheme, as alleged by the SEC and confirmed by Katy, involved $317,000 paid to consultants and to "a foreign corporation organized by one of those consultants which Registrant and Messrs. Carroll and Jacobs knew or had reason to know would be directly or indirectly shared with a governmental official in that country," according to Katy. The company goes on to acknowledge that it did, indeed, "[d]uring the period September, 1972 through May, 1976 . . . pay fees of approximately $117,000 to those consultants and through a subsidiary paid $200,000 to that foreign corporation."

The SEC's considerably more colorful allegations, however, make for more entertaining reading. As set forth in the Commission's complaint, the deal went down something like this:

In early 1972, it occurred to Carroll how nice it would be to have an oil concession in Indonesia. As a result

of these musings, a Katy director and someone later hired by the company as a "consultant" (whom we shall call the "go-between"). Both were good buddies of a high level Indonesian government "official" (whom we shall call the "generalissimo"). The buddies flew to Rome to chat with generalissimo and his "representative" ("Bag Man," for us) later in 1972.

According to the Complaint's allegations, generalissimo "asked to assist Katy in obtaining an oil production sharing contract." Also, the Katy director and go-between met with bag man to start groundwork on the compensation arrangements. It was agreed that if Katy got the contract it would reward go-between; who would give part of his lucre to generalissimo and the bag man. The Katy director and go-between jumped back across the pond to clue in Carroll and Jacobs who, the SEC reasonably asserts, "knew or had reason to know of the understanding regarding compensation."

Next, it is alleged, Katy, at the direction of Carroll and Jacobs, entered into an agreement with go-between to pay him, in addition to expenses he incurred on the company's behalf, certain "consulting fees." This agreement netted go-between "at least $43,750" between September 1971 and March 1974, says the complaint. Katy also retained bag man as its agent and paid him in that capacity at least $22,500 between December 1972 and September 1973. Like go-between, bag man also was reimbursed for any out of pocket expenses incurred on behalf of Katy.

The next twist, according to the SEC, was "a thirty year Production Sharing Contract" between Katy and Pertamina, a huge oil and gas enterprise owned by the Indonesian government.

(Pertamina, once a high-flying juggernaut in international wheeling and dealing, was put together by one Lt. Gen. Ibwu Sutowo, who was its chief executive officer in the late 1960s and early 1970s, including 1974, the year Katy signed its oil production sharing contract. The venerable general is no stranger to either the SEC or questionable business practices. In 1977, he was charged with steering highly lucrative ocean tank charters to his business cronies, a nasty habit that contributed to his ouster as head of Pertamina in 1976.

Katy's contract, at a total cost of $10,000,000, gained the company exclusive rights to explore and develop oil and natural gas in a designated area of Indonesia.

During 1974 and early 1975, the complaint alleges, much wrangling ensued between Jacobs and Carroll on one side and go-between on the other, over compensation arrangements as outlined in Rome. They began to flesh out an arrangement that called for go-between's establishing an "offshore corporation" to collect Katy's payments. The officers, directors and shareholders of this corporation, the SEC says, were to be designated by generalissimo and go-between.

Sometime in March-April 1974, the complaint claims, "Carroll and Jacobs caused Katy to advance $50,000 to the consultant (go-between) with the knowledge that the $50,000 would be used for the benefit of the official (generalissimo)."

A year or so later, the complaint continues, Carroll met with generalissimo at his pad in Indonesia to work out a few final quibbles over the amounts to be forked over by Katy. Bag man, Go-between, and another Katy director all made the party. They finally agreed to terms drawn up by Jacobs and go-between the week before, which called for 13.33% of Katy's net profit arising out of the contract to be paid to go-between.

Also, go-between would get a $100,000 cash advance during 1975 which would be in addition to the $50,000 advanced in 1974. "By reason of the meetings and negotiations ... Katy, Carroll and Jacobs knew or had reason to know that the official and the official's representative would directly or indirectly share in the payments to the consultant for the duration of the thirty-year Contract," the complaint demurely suggests.

Go-between busied himself with setting up the dummy corporation, one Business Development and Consulting Services, Inc., a Cayman Island corporation. (The Cayman Islands are to bogus corporations what Switzerland is to secret bank accounts.) That same month, the SEC alleges, Carroll and Jacobs caused Katz to enter into a contract with Business Development, the terms of which were substantially the same as those agreed upon during Carroll's meeting with generalissimo in Indonesia. Specifically, a Katy subsidiary, Katy Oil Company of Indonesia, agreed to annually pay Business Development 13.33% of any net profits realized arising out of the contract; the subsidiary also agreed to make advance cash payments of $150,000 (minus the $50,000 paid Go-between "during 1974 for the benefit of" generalissimo) to the Cayman Island corporation. "Business Development's records indicate that from on or about September 22, 1975 to at least August 1978, the consultant (go-between) and the official's representative (bag man) were the sole shareholders of Business Development, each owning 50% of the total outstanding shares," the complaint avers. Katy's subsidiary duly paid the contracted $200,000, it is claimed, and "Carroll and Jacobs knew that these payments had been made." Once Business Development got its hands on the loot, it promptly turned around and distributed it in the form of "dividends" to the two "shareholders." Katy claims, in its commentary on the SEC court action, that no net profits, 13.33% of which would have gone to Business Development, were ever realized on the thirty-year contract, which it terminated by letter dated July 28, 1978—one month before the SEC levied its charges.

And, just for good measure, the Commission charges "in connection with obtaining the Contract from 1972 through 1976, Katy's books and records did not reflect the true nature and purpose of the undisclosed arrangement with Business Develop-

ment or that a substantial portion of the money paid by Katy to the consultant, the official's representative and Business Development was expected by Katy to be given by the recipient to the official." Numerous violations of the Commission's periodic reporting, proxy solicitation and artificial provisions of the federal securities laws also were cited as deserving of the U.S. District Court's injunctive relief.

Katy's board of directors, of which Carroll was chairman and Jacobs a member, decided "it would be in the best interests of Registrant and its stockholders to avoid the disruption and expense of extended litigation by settling the suit upon its commencement." The three defendants, Katy, Carroll and Jacobs, entered Consent decrees on the same day the charges were filed—a pro forma arrangement. Each of the three, without admitting or denying any of the complaint's allegations, agreed to abide by the terms of an unusually stringent and detailed court-imposed injunction prohibiting any payments to any person for the purpose of influencing foreign officials. The company also agreed to set up a Special Committee of non-management directors to review the matters alleged in the complaint and file a report with the SEC on its findings and recommendations. That report, unavailable as of yet, is imminent.

Morton-Norwich Products, Inc.

Morton-Norwich Products, Inc. sells more of its well-known table salt ("When It Rains, It Pours") than all other competitors combined. The Chicago-based company weighs in at No. 338 on Fortune's scale. It also dabbles in pharmaceuticals, household products, and specialty chemicals. It first became aware of a sensitive payments problem after it asked over 650 executives to certify compliance with company policy. That was in September of 1976.

The ensuing investigation revealed that, since July 1971, two foreign subsidiaries paid fees and commissions of $168,000 to employees of foreign governmental customers, presumably, to secure sales. In addition, a number of foreign subsidiaries paid over the five-year period investigated some $62,000 to foreign governmental employees to get off their duffs and discharge their duties with dispatch. One foreign subsidiary, the report notes, paid $15,000 over the period to its employees' labor union officials. The majority of all these payments come from off-book accounts, which have since been closed. None of the members of top management in April, 1977, the date of the report, were aware of or approved these payments.

Meanwhile, back on the ranch, more hanky-panky was afoot. Morton has "reason to believe" that two payments in 1972 and 1973 totaling $31,250 went to a state employee to induce sales. A "former" officer/director helped set up the banking arrangements that generated the funds in question, Morton says. No other "current" Morton poobahs were aware of these two transactions, according to the report. The company does not believe these payments will result in significant tax liabilities.

Motorola, Inc.

Ready for a new twist on the old "man bites dog" news story? Here goes: "Extra! Extra! Read all about it! Foreign government pays off American multi-national!"

The story of Motorola, Inc., which bills itself as "one of the world's leading manufacturers of electronic equipment and components," is No. 137 on the Fortune list.

The company began its "comprehensive" investigation in mid-1976 to see if there were any deviations from its policy mandating "high ethical standards." The voluntary investigation, covering the period January 1, 1972, through March 15, 1977, included personal interviews with 100 employees worldwide.

Bribes to consultants and employees of governmental and private customers in three foreign countries totaled a relatively paltry $37,000; payments to foreign governmental officials of two countries, made at the behest of foreign sales representatives from funds owed them, totaled $151,000—including $135,000 in one year, 1974—over the period investigated.

One of the less striking revelations was the fact that corporations don't like to pay taxes. A number of Motorola's foreign subsidiaries beat out six foreign governments on taxes that would have been levied on some $2,170,000. This amount, representing compensation paid to employees torola's trough—a state senator paid the foreign tax authorities although, the company claims, this money was accurately recorded in Motorola's accounting records.

Motorola also ranks with the friendly companies that are only too happy to oblige their creditors with payments made outside the creditor's home country or, if the creditor desires, to a third party.

It was also willing, the report states, to doctor the net sales price or commission rates on documents issued to sales representatives in ten foreign countries—easily enabling the representative to evade tax and/or currency control laws. The amounts

of the commissions and discounts related to such "misstatements" totaled $3,510,000, Motorola says.

On the home front, only one politician could be found wallowing in Motorola's trough—a state senator paid "less than $4,000 per year" until August, 1976 "as an adviser on the status of legislative matters." The company "believes such payments were legal."

On the more mundane side, the company noted some $191,000 spent over the period on either facilitating payments in four foreign countries or seasonal gifts to employees of customers and agencies of foreign governments in six foreign countries.

All of these questionable practices, even the facilitating payments and gifts, have been terminated, the company said in early 1977. In addition, Motorola beefed up its Code of Conduct and internal controls.

However, five months after its "comprehensive" and "extensive" investigation, Motorola reported some additional information that had "since become known to management."

One of Motorola's foreign subsidiaries received $35,000 in payment for services "validly rendered and fairly priced." The debt was paid by a foreign government the subsidiary had previously written off as a welcher. But Motorola discovered what proved to be a rather curious new wrinkle in the sensitive payments game: "the payment . . . apparently was part of an approximately $140,000 disbursement by the foreign government for services which the subsidairy has not been able to verify were rendered."

Ye gods! What next? Maybe it was a small country, and the subsidiary extorted the money by threatening to nationalize the government into the state of Motorola. No one can be sure, however. Motorola can't find any record of its subsidiary having received the balance of the money nor can it "verify allegations concerning its disposition," the company claims.

One is tempted to conclude that this beaut was the last straw for the Justice Department, which, as Motorola reported early in 1978, has asked the company "to voluntarily provide information relating to its business ethics audit."

Northwest Industries, Inc.

Question: What kind of company that, in and of itself, manufactures no product and produces no service can rank as high as number 122 on the Fortune 500 list? Answer: that paragon of classic capitalism, the holding company.

Northwest Industries, Inc. is a textbook case holding company. Rather than actually produce tangible goods to be sold on the market place for a profit, the holding company, much the same as the owner of a baseball team, fattens off the labor of those under its control. The holding company's contribution and responsibility, as is the team owner's, is the overall management and direction of those responsible for the actual production. The ultimate success of either a ball club or a holding company, of course, rests in the hands of those in control. They are ultimately responsible, in both cases, for "producing" a winning record. And when it comes to holding companies, Northwest is more of a George Steinbrenner than a Gussie Busch (?).

The company, as of last year, had its fingers in about 11 different pies of assorted flavor, including: underwear (Fruit of the Loom and BVD's), a Coca-Cola bottling plant, chemicals, and whisky (it bought control of The Buckingham Corporation, the exclusive U.S. importer and selling agent of Cutty Sark).

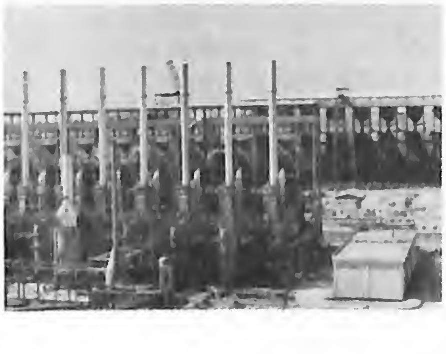
These "operating units" enjoy a great deal of autonomy in their day-to-day operations, but their performance is always subject to Northwest's oversight. When BVD sells a lot of jockey shorts, Northwest's managers are geniuses. And, of course, when one of the units screws up, it's Northwest that takes the rap.

Such was the case in 1976, when the company informed the SEC that two of its charges had wandered astray. A company investigation covering the three-year period 1973 through 1975 revealed $482,000 paid to "government-connected" persons in various foreign countries. Another subsidiary pulled the same trick—$100,000 to a government-connected person in a foreign country in connection with sales. Some of the $582,000 went to expedite services to which the company believes it was entitled.

Northwest applied the usual corrective measures to assure the end of all such practices.

Pullman Incorporated

Pullman Incorporated, big in transportation equipment, engineering and construction, first decided, "in light of disclosures by other companies," to conduct an "internal" review of its operations. After a number of sticky situations came to light, the Chicago-based company hired its independent outside auditors, Arthur Young & Company, to launch its own investigation and to confirm Pullman's findings.



The four-month investigation involved the personnel of 20 of Arthur Young's offices around the world, Pullman says, and included interviews or questionnaires involving 165 people.

The results indicated that, during the five-year period beginning January 1, 1971, Pullman and its subsidiaries paid $2,707,000 to foreign government officials or their go-betweens to secure work. For the same purpose, according to Pullman, it paid $674,000 to a numbered bank account of an official of a company owned by a foreign government. Another transaction, "unusual," but "not considered questionable," resulted in a payment of $43,000 from an "approved overbilling" to the owner of a foreign-based company.

The company also says that $5,000 of $62,000 in facilitating payments made over the period ended up, after being routed through a foreign office of Arthur Young, in the hands of a taxpayers' association and, in turn, was paid to an official of the government of that foreign country. The much-traveled (and laundered) funds were intended "to achieve finalization of tax returns in such country without sizeable assessments." The company claims that this is "a not-uncommon practice in such country." (Other American firms have named Italy as a country in which similar payments to tax officials are routine.)

The company further claims that the "fees and commissions" were labeled on its books, that all questionable practices have ceased, and that in only one instance were top corporate officers aware of the nature of one of the transactions, although certain divisional officers could not be termed ingenuous.

Pullman was stuck with a tab of $1,600,000, an increased tax liability, after confessing its indiscretions to the IRS. Appropriate control measures were adopted, says the report, regarding the payment of commissions.

The Quaker Oats Company

Most companies wrestling with the problem of how to go public with their dirty laundry usually choose the standard "Form 8-K Current Report."

For example, a company issuing bonds to raise capital would file a "Form S-7 Registration Statement." A company that is purchasing 5% or more of another company is required to file "Form 13-D" which spells out many details of the proposed transaction—often running to hundreds of pages. "Form 8-K" is used to inform the SEC and the investing public of any significant corporate developments, such as a change in outside auditors.

While most companies choose this well-known form to disclose any sensitive payment problems, others take a different tack. If they can bury the relevant information deep enough in one of the more arcane SEC forms and still keep the commission happy by meeting its requirements for disclosure, maybe the Wall Street Journal reporters will overlook it and few, if any, shareholders will be any the wiser.

But none of this chicanery for Quaker Oats Company. The huge (#176) Chicago food conglomerate chose a relatively novel way to meet its public disclosure duty—its chairman stood up in front of the shareholders at the 1976 Annual Meeting and told them. (The text of his remarks was issued as a news release and later filed with the SEC on a Form 8-K.)

Mr. Stuart's remarks, though often punctuated by requisite praise for the "considerable courage in rejecting demands for payments" exhibited by company managers and the strict adherence to "our traditional principles of fair dealing," offered shareholders a more intimate glimpse of the problems facing companies pressured to make payments than that afforded by the drab, monotone reports filed with the SEC.

Quaker began its investigation, conducted by a vice-president and the corporate secretary, in September of 1975. The decade preceding the November, 1976 report on the inquiry was examined.

During all that time, Chairman Stuart claimed, only $114,000 in payments of "borderline propriety" were discovered. These payments all were made as a result of direct or indirect extortion by lesser foreign government officials; none involved bribery on the part of Quaker employees. The bulk of the payments, the chairman continued, were made in three countries "to get legitimate price control papers processed." The remainder were "small gratuity-type payments, primarily (paid) in one country."

Like many American corporations, Quaker found itself stymied by petty foreign bureaucrats who refused to perform their duties until their palms had been greased. Chairman Stuart cited mail delivery as a typical example, claiming that all of Quaker's payments were made in the face of such petty official obstinacy.

The chairman made a point of telling his audience that on many occasions Quaker refused to accede to such blackmail, and cited some of the consequences endured. In several instances, he said, the company met with arbitrary delays in the processing of paperwork necessary to approve clearly justified governmental approvals. One refusal led to the "physical abuse of a plant manager." Another demand cited by Mr. Stuart that was refused came from a foreign customs official in connection with the movement of a Quaker employee's furniture. When the customs official got the thumbs down on what he saw as a sure freebie, he was less than amused. The furniture was left in the open in a rainy climate, "pending customs examination," and ruined. Naturally, it was taxed at full value.

The chairman closed his remarks on this subject with a reference to Quaker's ethical business policy of 1975 and accolades for the integrity of Quaker employees, accolades that in this case, given the size of Quaker, the number of years involved, and the amounts and purposes of the payments, would appear to be completely justified.

Signode Corporation

Signode Corporation, which refers to itself as "the leading manufacturer and distributor throughout the free world of strapping systems for use in packaging and materials" those little steel bands around cardboard boxes made them the 57th largest manufacturing corporation in the country), is another company that launched a full-blown investigation into its affairs after a preliminary investigation late in 1975 resulted in some unpleasant news. Interesting results were reported the following year, and the final report from the Audit Committee of the Board of Directors came in February 1977. The results of their investigation were duly noted to the SEC.

Only a couple of trangressions on the domestic scene were uncovered. One copy arrangement begun in the 1950s with a local tax assessor, resulted in payments ranging from $100 to $400 per year. In return, the tax assessor would relieve the company of having to figure out the proper value to set on some personal and real property tax returns. He would simply fill in the amounts himself "after consultation with the company." This arrangement continued until 1972, in which year $300 was paid "to the assessor then in office" and, just in case, another $100 to a candidate for the office. The company notes that "(p)olitical contributions in that state by corporations were and are illegal," that the payments were disguised on the books of account and deducted from federal taxes, and that top management was aware of all these payments. The only other political contribution, this one legal, was the purchase of hundreds of dollars worth of tickets to a local fund raiser by a plant manager who, the company says, was suitably admonished.

The company learned that in one foreign country at least $43,000 was paid over the past 13 years to officials of purchasers, some of them government-owned. Although a member of top management ordered a halt to these payments in 1968, the practice continued until 1973. In that same foreign country, the report states, one of the company's independent commission agents acknowledged that 30 per cent of his commissions since 1971, totaling $134,900, went towards "gifts" for a customer, officials and employees of a government agency.

In a second country, a distributor told the company that it had spent 4½% of its commissions, or $37,800, as payments to officials of two private customers.

With respect to a third country, a foreign subsidiary paid commissions of $119,000 to its local distributors.

Another payoff of $22,000 in a fourth country couldn't be confirmed by the company, although $96,000 in commissions paid outside that country could. In that 1974 case, the company sought to make sales of $1,394,000 to a governmental agency through a distributor who would receive the usual 7½% commission. When the government balked at buying through a distributor, and would only agree to a ½% commission for technical services, Signode amended its invoices, certifying that no commissions were being paid. Notwithstanding, the company paid the balance of the commissions to the distributor's accounts in other countries. The deductions claimed for U.S. income taxes with respect to commissions related to gifts and payments to government officials were "improper," the company believes.

In a fifth country, a foreign subsidiary paid $500 to a purchaser and deducted the amount for local tax purposes.

In an effort to end "harassment and threats to close down the subsidiary's plant," a foreign subsidiary began paying off officials of various local unions in 1965. In 1971, the subsidiary began payments to a union official to "certify" union representation. From 1971 through the first half of 1976, these payments totaled $5,600. Some company executives were "generally aware" of this arrangement which was modified in 1976 to reroute the payments directly to the union instead of the individual union official.

In two foreign countries, the company and one of its distributors "engaged in practices during the 1971-1975 period which may have violated local customs, tax laws, government procurement laws or laws relating to the declaration or certification as to quality of goods sold or commissions to be paid." Sales involved totaled some $150,000.

In two other countries, the report notes, the company may have been guilty of technical violation of local exchange control laws. In another country, a foreign subsidiary convenienced a distributor by gathering and returning to him a total of $76,890 in overbillings during 1973-1976. The distributor would not tell the company what he did with the unrecorded funds received since 1974.

Finally, in a matter deemed unrelated to questionable payments, a foreign-based manager used $25,000 of his subsidiary's interest on invested funds to meet the extortion demands of "criminal elements" due to an automobile accident in which he had been. Since the company believed the manager had acted out of concern for the welfare of himself, his family and his employees, he was retained.

The company adopted a revised and stringent "Business Ethics Code of Conduct" and, it claims, has put an end to all practices at odds with this policy. The impact of past practices on U.S. income taxes, if any, will be minimal, the company believes.

Spiegel, Inc.

Spiegel, Inc., the well-known mail-order catalog outfit, imports much of its merchandise from the Far East. As a result of its dealings with the shipping companies that transport its merchandise, the company found itself on the outs with both the SEC and the Federal Maritime Commission, the federal watchdog of the tightly regulated shipping industry.

After an inquiry from the SEC concerning the possibility of Spiegel's

accepting rebates—a touchy issue under federal shipping regulations—the company in August of 1976 established a "Special Committee" to check it out. The committee examined the period beginning January 1, 1976 and discovered that, "consistent with the usual business practice in the Far East," rebates aggregating $127,558 were received during the period 1973 through June, 1976.

The FMC, which had been and is investigating the matter of shipping rebates, stepped in and "invited" Spiegel to "voluntarily cooperate" in its investigation. Spiegel, its report says, accepted the offer.

Standard Oil Company (Indiana)

More so than any other segment of U.S. industry, it seems, the oil companies have exhibited frequent and unrestrained generosity when approached by politicians or others eager for a handout. Virtually every major U.S. oil company has filed with the SEC information concerning political contributions, bribes, and other slippery practices; a number of them have been sued (Exxon, Ashland and Occidental, for example) by that agency in an effort to prevent the inordinate amounts of money Americans spend to fill their gas tanks from enriching politicians.

Off-book transactions were another problem uncovered by Amoco's investigation. One foreign subsidiary "for a number of years . . . maintained a bank account which was not recorded on the subsidiary's regular books of account." The $206,000 paid out from this account since 1970 was used for the subsidiary's "business (i.e., legit) purposes." The account was closed in March, 1975; $240,000 of the balance of $321,000 transferred to the U.S. involved "apparent technical violation of the foreign country's exchange control regulations."

During 1974, a foreign subsidiary accommodated a customer, a state-owned enterprise, by raising its prices 2 per cent on products sold to the customer. This resulted in $16,700 in credits to the customer but was not recorded by the subsidiary as a liability. The money was spent to "defray the cost of foreign business travel by the customer's employees," the report says. Maybe the customer's employees liked to live it up more than the foreign country's currency control regulations permit. In any event, the remainder of the sum after $3,400 was expended was properly recorded as a liability on the subsidiary's books.

As of September, 1975, the report claims, Amoco Oil Company had $269,000 of advertising or promotional allowances from suppliers of products and such. The funds, used for sales promotion programs, were not recorded as assets on the books. One officer/director was aware of these funds but not of their accounting treatment, which has been corrected, and the company claims to have been reviewing any possible tax problems.

During the period under investigation, the company spent $86,000 to provide foreign government personnel and their families with travel and other personal assistance. These payments, which were stopped, had been misrecorded on the books and improperly deducted for U.S. tax purposes, the report says, adding that "appropriate tax adjustments have been made." The company has adopted a standard policy against such unethical behavior and, it claims, has developed procedures to ensure compliance. The policy does not ban outright legal political contributions in countries other than the U.S. but it does provide for "exceptions." ■■

POEMS

The Pig Farms outside Griswold, Iowa / *Terry Nathan*

for R P Chambers

For some time I wakened in familiar
dreams – organic music
of combines, soybeans. White
fence posts paralleling the past.
Machinations, buried facts.
Whatever the season, flowers
forgot the cups of their petals.
No animal remembered its name.
The barn yard beefalo
like an echo on the baked mud,
the runoff. Here, cows browsing
the secret chorales of corn fields
kicked the flies and mingled
among sows the size of dollar signs.
Boars telescoped for alfalfa.

Ah, but now waking among pigs
the color of divided stones,
the jazz of yellow-jackets
circling from heaven, I can be
anyone. Small hooves climbing
in and out, squeals lost and found
and lost again in the poetic
pig sheds. Their sister dawn
inhales me like a man longing
for love or a memory to write home.

Hen / *David Citino*

to cure indolence
or gout: swallow a hen's eye,
cackle at your mate
during love, peck
at the summer wind.

to bless the eggs:
toss a red hen
into the lap
of a new bride
who has slowly
kissed her father
three long times.

to break a fever:
take a hen, split her
open alive and apply
to the belly of the burning one,
cleansing away imperfection.

if a barren white hen
cackles near iron
it means your mate
would be unfaithful
if given half a chance;
it means a fortune awaits you;
it means an angel is dying
just outside your body.

Games / *Shreela Ray*

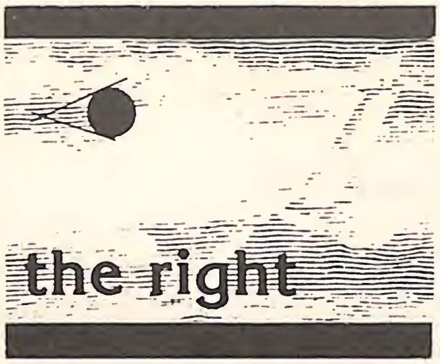
When I walk into the garden
so English with restraint,
I speak to no one. There's
a party going on. I squat
near columbines and overhear
a young man whisper the name
of a foreign woman he once
desired, into his girlfriend's
ear, to make her mad.

I worry over the job and good name
of that poor woman. She isn't even
around. You can say it's impossible
to change the course of things.
Like hell! I tear up columbines,
stem root and all.

An Autumn Day / *Marianne Andrea*

The piano was out of tune,
The boat lost its moorings.
Buds fell aborted watering my heart,
The maples turned carnelian red
And the canary died
In yellow mourning just as the sun walked in.
Music dissolved into dust-motes
As strings snapped somewhere.
Dry leaves caught fire near the shed
Plundering everything.

We all sustained a loss,
And I – my mother – who like red salvia
In summer sun,
Ashed beneath two aspens.



AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation, the largest and most conservative of the farm lobbies, reports that only 64.6% of its 3,076,917 family members are actually farmers. The others are counted as members because they buy insurance or do other business with the powerful organization.

AMERICAN PARTY

Meldrim Thomson, the three-time ultraconservative governor of New Hampshire and newest member of the John Birch Society's Council frequently addresses the American Party, a far-right remnant of the old George Wallace supporters. (Another speaker, at this year's convention, is resigned General John K. Singlaub, former Chief of Staff of U.S. forces in Korea, who works for the American Security Council.)

CONSERVATIVE DIGEST

A 13-page special report in the June issue of *Conservative Digest*, published by Richard A. Viguerie, acknowledged to be the "Godfather" of the movement (and a former leader of the old right), describes the "new right" in detail.

The feature includes philosophy, sketches of its "big four" and its "leadership network," notes on its activists in public office and quotations from the press and opponents.

It is a "who's who" of the movement, including some leaders who had been thought of previously as being only on the fringe. For example, it includes three of the top men from the National Right to Work Committee and Americans Against Union Control of Government.

FUND RAISING

The right is raising lots of funds, ironically, under the guise of protecting private citizens against the money-grabbing IRS and other governmental agencies. Among the mail schemes are solicitations by Senator Orrin Hatch (R. Utah) who signed a fund-raiser for *The Foundation of Law & Society* which begins: "Has the IRS made you really fist-clenching mad? That's the way I feel right now. And so do most Americans who understand what the IRS is doing to Christian and independent schools." A similar letter has gone out from Congressman George Hansen (R. Idaho) on behalf of funds for the *National Conservative Public Affairs Council.* Senator Paul Laxalt (R. Nev.), head of Ronald Reagan's campaign for the presidency, has signed a fund-raiser for the *Pacific Legal Foundation* which begins: "Are you fed up with government's interfering unnecessarily in your personal life and your business affairs?" The *National Labor-Management Foundation*, an old-time foe of organized labor, has come alive with a fund-raising letter blaming most everything on "the union exemption from federal anti-trust laws."

HERITAGE FOUNDATION

An article in the March-April issue of *Foundation News* by Julian Weiss, a free-lancer, describes and analyzes the Heritage Foundation in depth. Among disclosures: It has a staff of 32; a budget of $2,500,000 for this year; and Joseph Coors, the right-wing brewer, contributed $862,000 of the more than $4,000,000 (tax-exempt) raised by the end of last year. A conclusion: "In one sense, this foundation is part of the New Right phenomenon showing itself on the political and social battlegrounds of America."

THE INSTITUTE FOR EDUCATIONAL AFFAIRS

The Institute for Educational Affairs, New York City, professes a "mission to serve as a clearinghouse or broker for other organizations in our general area." One of its co-chairmen is William E. Simon, Secretary of the Treasury in the Nixon and Ford Administrations, and a conservative activist. The letterhead includes Robert H. Bork, former Solicitor General; David Packard, former Deputy Secretary of Defense; and Frank Shakespeare, former head of the U.S. Information Agency. Corporate names include Robert W. Galvin, Board Chairman of Motorola and a long-time leader of the American Security Council. Academic luminaries include Irving Kristol of New York University and Michael Novak of Syracuse University, two prominent names among "neoconservatives" (liberals who moved to the right significantly). The stated purpose of IEA is couched in language such as concern about "personality and motivation of the media elite" and "the moral character of the young," but it adds up to a system for making sure that corporate gifts don't get into unfriendly hands.

INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES

The International Center for Economic Policy Studies (ICEPS), New York City, a two-year old organization has announced that Jeffrey Bell, the 35-year-old who defeated Senator Clifford Case of New Jersey in the GOP primary, has become its president and executive director. Bell previously worked for the American Conservative Union, whose stated purpose is "to conduct and publish fundamental research in all fields related to economics," but the make-up of its two boards shows that the impact will be very conservative. The funding target for the Center's second year is $325,000. Contributors of $1,000 or more so far include giant industries such as American Telephone and Telegraph, Exxon, Ford, IBM, General Motors and General Foods. Money has also come from the Adolph Coors Foundation (beer) and the Scaife Family Charitable Trusts (Mellon money). Scaife has contributed hundreds of thousands of dollars at a time to conservative organizations such as the Heritage Foundation and the National Strategy Information Center.